



California

Forms & Instructions

3809

2002

Targeted Tax Area Business Booklet

This booklet contains:

Form FTB 3809, Targeted Tax Area Deduction and Credit
Summary

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STATE OF CALIFORNIA
FRANCHISE TAX BOARD

Instructions for Targeted Tax Area Businesses — Form FTB 3809

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2001, and to the California Revenue and Taxation Code (R&TC).

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What's New

Beginning on the 2002 tax year form, Side 2 of form FTB 3809, formerly Worksheet VI, has been renamed Schedule Z. This change is consistent with other FTB forms that have schedules as part of the return.

For taxable years beginning in 2002 and 2003, California has suspended the Net Operating Loss carryover (NOL) deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. However, the deduction for disaster losses is not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by two years for losses incurred before January 1, 2002 and by one year for losses incurred after January 1, 2002 and before January 1, 2003.

For more information, get forms FTB 3805V and 3805Q.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources. Only your California sourced income and losses are considered in determining if you have a California NOL.

For the 2002 taxable year only, no addition to tax shall apply with respect to any underpayment of estimated tax to the extent the underpayment of an installment was created or increased by any provisions of law enacted or amended by an act chaptered during the 2002 calendar year.

General Information

Federal/State Conformity

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. Therefore, California has conformed to the income tax changes made to the IRC by the federal Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105-206), the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277), the Surface Transportation Revenue Act of 1998 (Public Law 105-178), the Ricky Ray Hemophilia Relief Fund Act of 1998 (Public Law 105-369), the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170), the Miscellaneous Trade and Technical Corrections Act of 1999 (Public Law 106-36), the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), the Consolidated Appropriations Act of 2001 (Public Law 106-554), and to technical corrections made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16). However, there are continuing differences between California and Federal law. California has not conformed to some of the law changes made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16) or the federal Job Creation and Worker Assistance Act of 2002 (Public Law 107-147).

Pass-Through Entities

For purposes of this booklet, the term "pass-through entity" refers to an S corporation, estate, trust, partnership and a limited liability company (LLC). References to "partnerships" include LLCs classified as partnerships.

Introduction

Economic Development Area Tax Incentives

California has established four types of economic development areas (EDA) that have related tax incentives. These incentives have been established to stimulate growth and development in selected areas that are economically depressed. EDA tax incentives apply only to certain business transactions that are undertaken after an EDA has received final designation. Tax incentives are available to individuals and businesses operating or investing within the geographic boundaries of the following EDAs:

- Enterprise Zones (EZ);
- Local Agency Military Base Recovery Areas (LAMBRAs);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

Reporting Requirement

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature and the California Technology, Trade and Commerce Agency (TTCA) regarding the number of businesses

using the EDA tax incentives, types of EDA tax incentives being used, and the EDAs in which the businesses are claiming the tax incentives.

Complete items A through J on Form 3809, Side 1, Targeted Tax Area Deduction and Credit Summary, as applicable. This information will be used to meet the FTB's statutory reporting requirement.

For information about:

- EZ tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet;
- LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet; or
- The MEA hiring credit, get FTB 3808, Manufacturing Enhancement Area Business Booklet.

Purpose

This booklet provides specific information on the types of TTA tax incentives available. Taxpayers investing or operating within TTA or located within TTA may be eligible for the following the credits and deductions:

- Hiring Credit
- Sales or Use Tax Credit
- Business Expense Deduction
- Net Operating Loss Carryover Deduction

Use this booklet to determine the correct amount of deductions and credits that a business may claim. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3809.

Who Can Claim the TTA Tax Incentives?

The TTA credits and deductions are available to individuals, sole proprietors, corporations, estates, trusts and partnerships operating or investing within the designated LAMBRA.

Targeted Tax Area Designation

TTAs are established to stimulate development in a selected economically depressed area. Special tax incentives are available to qualified entities and individuals that operate or invest in a business located within the designated TTA.

To take advantage of the hiring credit, a completed Form TCA EZ1 must be obtained from the local agency responsible for verifying employee eligibility. Do not file Form TCA EZ1 with your return.

All of the incorporated cities in Tulare County and portions of the unincorporated areas of Tulare County received final designation as the TTA effective November 1, 1998. The eight incorporated cities in Tulare County are:

- Dinuba
- Exeter
- Farmersville
- Lindsay
- Porterville
- Tulare
- Visalia
- Woodlake

Caution: The special tax incentives available to businesses operating within the TTA can **only** be taken for costs paid or incurred on or after November 1, 1998, and before the designation expires.

Important Considerations

TTA tax incentives apply only to:

- Qualified assets purchased and placed in service on or after November 1, 1998;
- Qualified employees hired on or after November 1, 1998; and/or
- Net operating losses (NOLs) for taxable years beginning on or after November 1, 1998.

Eligibility

To qualify for any of the tax incentives described above, a taxpayer must meet both of the following requirements:

1. Be engaged in a trade or business within the TTA; and
2. Be engaged in a line of business described in Standard Industrial Classification (SIC) Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification Manual published by the United States Office of Management and Budget, 1987 Edition.

In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer for the business expense deduction, hiring credit, and sales or use tax credit, is made at the entity level. Any business expense deduction, hiring credit, or sales or use tax credit that is allowed to the pass-through entity is also passed through to the partners or shareholders.

Geographic Boundaries

The geographic boundaries of the TTA are used to determine whether tax incentives are available to a business in a specified location. To find a street address within the TTA geographic boundaries, go to the California Technology, Trade and Commerce Agency's Website at www.commerce.ca.gov

If you need additional information about the TTA, you may contact the California Technology, Trade and Commerce Agency at:

ENTERPRISE ZONE PROGRAMS
CALIFORNIA TECHNOLOGY, TRADE AND
COMMERCE AGENCY
1102 Q STREET SUITE 6000
SACRAMENTO CA 95814
Telephone: (916) 324-8211
FAX: (916) 322-3524

If your business is located within and outside the TTA, see Part IV for instructions on how to apportion income.

Forms Table

The titles of forms referred to in this booklet are:

Form 100	California Corporation Franchise or Income Tax Return
Form 100S	California S Corporation Franchise or Income Tax Return
Form 100W	California Corporation Franchise or Income Tax Return — Water's-Edge Filers
Form 109	California Exempt Organization Business Income Tax Return
Form 540	California Resident Income Tax Return
Long Form 540NR	California Nonresident or Part-Year Resident Income Tax Return
Form 541	California Fiduciary Income Tax Return
Form 565	Partnership Return of Income
Form 568	Limited Liability Company Return of Income
Schedule CA (540)	California Adjustments — Residents
Schedule CA (540NR)	California Adjustments — Nonresidents or Part-Year Residents
Schedule P	Alternative Minimum Tax and Credit Limitations
Schedule R	Apportionment and Allocation of Income
FTB Pub. 1061	Guidelines for Corporations filing a Combined Report S Corporation Tax Credit
Schedule C (100S)	Shareholder's Share of Income, Deductions, Credits, etc.
Schedule K-1 (100S)	Beneficiary's Share of Income, Deductions, Credits, etc.
Schedule K-1 (541)	Partner's Share of Income, Deductions, Credits, etc.
Schedule K-1 (565)	Member's Share of Income, Deductions, Credits, etc.
Schedule K-1 (568)	Member's Share of Income, Deductions, Credits, etc.

How to Claim Deductions and Credits

To claim any TTA deduction or credit, the business **must attach** a completed form FTB 3809 to its California tax return.

Attach a separate form FTB 3809 for each business you operate or invest in that is located within the TTA.

- For corporations that operate a business in a TTA, complete Schedule Z; and all the worksheets, except for Worksheet IV, Section C, to report credits and deductions incurred.
- For sole proprietors that operate a business in a TTA, complete Schedule Z; and all the worksheets, to report credits and deductions incurred.
- For trusts, estates, and partnerships that operate in a TTA, complete Worksheet I through Worksheet III; Worksheet IV, Section A; and form FTB 3809, Side 1, to report credits and deductions incurred.
- Individual investors receiving pass-through TTA credits or the business expense deduction, complete Worksheet IV, Section C; Schedule Z; and

form FTB 3809, Side 1. All other investors complete Worksheet IV, Section A; Schedule Z; and form FTB 3809, Side 1.

- Individual investors receiving a pass-through loss, and having an overall net operating loss, complete Worksheet IV, Section C; Worksheet V, Section A and/or C; and form FTB 3809, Side 1. All other investors complete Worksheet IV, Section B; Worksheet V, Section B and/or C; and form FTB 3809, Side 1.

To assist with the processing of the tax return, indicate that the business operates or invests within the TTA by doing the following:

- Form 540 filers:** Claim TTA tax incentives on Form 540, line 14 and line 28, as applicable.
- Long Form 540NR filers:** Claim TTA tax incentives on Long Form 540NR, line 14 and line 37, as applicable.
- Form 100 filers:** Claim TTA tax incentives on Form 100, line 15, line 21, and line 25 through line 27, as applicable.
- Form 100S filers:** Claim TTA tax incentives on Form 100S, line 12, line 19, and line 23 through line 25, as applicable.
- Form 100W filers:** Claim TTA tax incentives on Form 100W, line 15, line 21, and line 25 through line 27, as applicable.
- Form 109 filers:** Check the "Yes" box for the EZ, LARZ, LAMBRA, MEA, or TTA question G on the top of Form 109, Side 1.

Note: Keep all completed worksheets and supporting documents for your records.

Instructions for items A through J on form FTB 3809, Side 1

For corporations, estates, trusts, partnerships, exempt organizations, and sole proprietors who operate businesses in the TTA, complete items A through J.

Investors of pass-through entities, complete items A through D. See page 27.

Instructions for Qualified Taxpayer's Standard Industrial Classification (SIC) Code Activity

The FTB implemented the new Principal Business Activity (PBA) code chart that is based on the North American Industry Classification System (NAICS), 1997 Edition. The PBA codes are listed on page 24 through page 26. However, for purposes of qualifying for the TTA hiring credit, refer to page 21 through page 23 for a list of qualified SIC codes. The PBA and NAICS codes cannot be used. Do not enter the PBA code from your state or federal tax return.

Enter the SIC code of the establishment that qualifies you to take this credit on form FTB 3809, Side 1. If your enterprise has more than one establishment, and if more than one of the establishments qualifies you to take this credit, enter the SIC code that best represents your primary qualifying establishment.

Part I Hiring Credit

Qualified employers conducting a trade or business within the TTA may claim the hiring credit for a qualified employee. A qualified employee is an individual who:

- Was hired on or after November 1, 1998;
- Spends at least 90% of his or her work time (for the qualified employer) on activities directly related to the conduct of a trade or business located within the TTA;
- Performs at least 50% of the work (for the qualified employer) within the boundaries of the TTA; **and**
- Was at the time of hire:
 1. A person receiving or eligible to receive subsidized employment, training, or services funded by the federal Job Training Partnership Act (JTPA) or its successor;
 2. A person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) or its successor;
 3. A member of a targeted group as defined in the federal Work Opportunity Tax Credit (WOTC) or its successor;
 4. An economically disadvantaged individual 14 years of age or older;
 5. A qualified dislocated worker;
 6. A disabled individual eligible for, enrolled in, or who completed a state rehabilitation plan;
 7. A service-connected disabled veteran;
 8. A veteran of the Vietnam era;
 9. A veteran who recently separated from military service;
 10. An ex-offender;
 11. A person eligible for or a recipient of:
 - Federal Supplemental Security Income (SSI) benefits;
 - Aid to Families with Dependent Children (AFDC);
 - Food stamps; or
 - State and local general assistance;
 12. A Native American; or
 13. A resident of the TTA.

For additional information, refer to the Federal Job Training Partnership Act (JTPA) or its successor, the Workforce Investment Act (WIA).

Employers hiring qualified employees must get Form TCA EZ1 from the local agency responsible for verifying employee eligibility. Contact the local TTA coordinator for more information on the local agency and verification process.

The percentage of wages used to compute the credit depends on the number of years the

employee works for the employer in the TTA. The applicable percentage begins at 50% and declines 10% for each year of employment. After the fifth year of employment, no credit can be generated.

Wages that qualify for the hiring credit are those wages paid or incurred to hire a qualified employee for the consecutive 60-month period beginning on the first day the employee commenced employment with the employer. For an employer that operates a business that has regularly occurring seasonal or intermittent employment decreases and increases, reemployment of an individual is not a new hire; rather, it is a continuation of the prior employment and does not constitute commencement of employment for the qualified wages test.

The credit is based on the smaller of the following:

- The actual hourly rate paid or incurred by the employer for work performed by the employee during the taxable year; or
- 150% of the minimum hourly wage established by the Industrial Welfare Commission.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the TTA hiring credit. The current minimum wage is increased to \$6.75 per hour. For purposes of computing the TTA hiring credit, 150% of the minimum wage is \$10.12 per hour.

Example:

John Anderson was hired January 1, 2002. John's hourly rate for the first month was \$7.00. At the beginning of the second month, his hourly rate increased to \$8.00. For the third month, John's hourly rate increased to \$12.00. The hourly rate that qualifies for the credit is limited to 150% of the minimum wage, or currently \$10.12 per hour.

Month(s)	Hours x per month	Hourly rate	= Qualified wages per month
1	175	\$ 7.00	\$1,225.00
2	170	8.00	\$1,360.00
3	170	10.12	\$1,720.40

Record Keeping

Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee." In addition, for each qualified employee, keep a schedule of the first 60 months of employment showing (at least):

- Employee's name;
- Date the employee was hired;
- Number of hours the employee worked for each month of employment;
- Smaller of the hourly rate of pay for each month of employment or 150% of the minimum wage;
- Location of the employee's job site and duties performed;
- Records of any other federal or state subsidies received for hiring the qualified employee; and

- Total qualified wages per month for each month of employment.

Instructions for Worksheet I — Hiring Credit & Recapture

Section A – Credit Computation

Line 1, column (a) – Enter the name of each qualified employee. Attach additional schedule(s) if necessary.

Line 1, column (b) through column (f) – Enter in the appropriate column, the qualified wages paid or incurred during the taxable year to each employee listed in column (a).

Line 2, column (b) through column (f) – Add the amounts in each column.

Line 3, column (b) through column (f) – Multiply the total in each column of line 2 by the percentage in each column.

Line 4

- A. For partnerships, enter the amount from line 4 on form FTB 3809, Side 1, Part I, line 1a. Include the current year hiring credit amount on Form 565 and Form 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1 line 14. In addition, add the entire amount of the credit on Schedule K, line 1, column (c).
- B. For corporations, individuals, estates, and trusts, enter the amount from line 4 on Schedule Z, as follows:
 - Part II, line 8B, column (b) for corporations, individuals, estates, and trusts;
 - Part III, line 10, column (b) for S corporations; or
 - Part IV, line 12, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Credit Limitations

- The cumulative qualified wages used to compute the credit cannot exceed \$2,000,000. The limit applies to each taxpayer for each taxable year.
- The amount of hiring credit claimed may not exceed the amount of tax on TTA business income in any year. Use Schedule Z on Side 2 of form FTB 3809 to compute the credit limitation.
- In the case where the business is qualified to take the TTA hiring credit as well as another credit (e.g., EZ, MEA, or LAMBRA hiring credit) for the same wage expense, the business may claim only one credit.
- S corporations are allowed only 1/3 of the TTA hiring credit by operation of law. 2/3 of the credit is lost and the remaining 1/3 can be carried over if it cannot be used in the current year.

Section B – Credit Recapture

The employer must recapture (add back to the tax liability) the amount of credit attributable to an employee's wages if the employer

terminates the employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

Employers of seasonal employees must recapture the amount of hiring credit attributable to the employee's wages if:

- The employer terminates the employee before the completion of 270 days of employment; and
- The 270 days is during the 60-month period beginning the day the employee commences employment with the employer.

A "day of employment" means any day the employee receives wage compensation (including a paid sick day, holiday, or vacation day).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

Note: The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and the number of hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

Note: Enter the name(s) of employee(s) even if one of the above exceptions to recapture is met.

Line 1, column (a) – Enter the name of the terminated employee(s). Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of credit recapture for each employee listed in column (a).

Line 2 – Enter the amount from line 2, column (b) on form FTB 3809, Side 1, Part V, line 5.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23;
- Form 100W, Schedule J, line 5;
- Form 109, Schedule K, line 4;
- Form 540, line 36;
- Long Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Worksheet | Hiring Credit & Recapture — Targeted Tax Area

Section A Credit Computation

Qualified wages paid or incurred for year of employment					
(a) Employee's name	(b) 1st year	(c) 2nd year	(d) 3rd year	(e) 4th year	(f) 5th year
1					
2 Total. See instructions50	.40	.30	.20	.10
3 Multiply line 2 by the percentage for each column. See instructions					
4 Add the amounts on line 3, column (b) through column (e). See instructions					
Note: You cannot take the TTA hiring credit as well as another credit for the same wage expense.					4

Section B Credit Recapture

(a) Terminated employee's name	(b) Recapture amount
1	
2 Total amount of credit recapture. Add the amount in column (b). See instructions for where to report on your California tax return	2

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3809" in the space provided on the schedule or form.

Partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of the credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

Part II Sales or Use Tax Credit

Individuals, estates, trusts, and partnerships may claim an annual credit equal to the sales or use tax paid or incurred to purchase up to \$1 million of qualified property per taxable year.

Corporations may claim a credit equal to the sales or use tax paid or incurred to purchase up to \$20 million of qualified property per taxable year. Individuals who are S corporation shareholders may claim their pro-rata share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase up to \$1 million of qualified property. See the example in the third column of this page.

Qualified property is machinery or machinery parts used to:

- Manufacture, process, fabricate, or otherwise assemble a product;
- Produce renewable energy resources; or
- Control air or water pollution.

In addition, qualified property is:

- Data processing and communications equipment including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and fax machines; and
- Motion picture manufacturing equipment central to production and postproduction including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

The business must use the property **exclusively** within the boundaries of the TTA. Qualified property must be purchased and placed in service after the TTA received its designation and before the TTA designation expires.

The use tax paid or incurred on purchases of property outside California qualifies for the credit only if property of a comparable quality and price was not timely available in California at the time it was purchased.

Leased Property

The sales tax paid or incurred on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39, and FTB Legal Ruling 94-2, March 23, 1994.

Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the TTA business income in any year.
- Any unused credit may be carried over and applied against the tax on TTA business income in future years until exhausted.
- In the case where the business is qualified to take the TTA sales or use tax credit as well as another state credit (e.g. enterprise zone sales or use tax credit, manufacturers' investment credit, or LAMBRA sales or use tax credit) for the same piece of property, the business may only claim one credit for that property.

Depreciation

Any taxpayer that claims this credit cannot increase the basis of the qualified property with respect to the sales or use tax paid or incurred in connection with the purchase of qualified property.

To compute the difference between California and federal depreciation, use the following forms or schedules:

- Form 100 or Form 100W filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Form 109, Schedule J, Depreciation.
Note: Exempt trusts use FTB 3885F, Depreciation and Amortization;
- Form 540 and Long Form 540NR filers – FTB 3885A, Depreciation and Amortization — Individuals;
- Form 541 filers – FTB 3885F, Depreciation and Amortization — Fiduciaries;
- Form 565 filers – FTB 3885P, Depreciation and Amortization — Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization — Limited Liability Companies.

Example:

XYZ Inc., an S corporation, purchases qualified property for \$20 million (\$20 m.). The sales tax rate is 6% (.06) and the entity-level tax rate is 1.5% (.015).

The credit allowed XYZ Inc. and the depreciable basis of the qualified property for XYZ Inc. are computed as follows:

		Depreciable basis
Qualified property	\$20 m.	\$20 m.
Sales tax paid (\$20 m. x .06)	1.2 m.	+1.2 m.
Sales or use tax credit allowed XYZ Inc.	1.2 m.	(1.2 m.)
Depreciable basis of qualified property for XYZ Inc.		\$20 m.
Credit allowed to offset the entity-level tax (\$1.2 m. x 1/3)		\$0.4 m.
XYZ Inc. has two 50% shareholders. The credit passed through to the shareholders and the depreciable basis of the qualified property for the shareholders are computed as follows:		
		Depreciable basis
Qualified property (purchased by XYZ Inc.)	\$20 m.	\$20 m.
Sales tax (paid by XYZ Inc.)	1.2 m.	+1.2 m.
Maximum qualified costs for sales or use tax credit	1 m.	
Sales or use tax credit allowed the shareholders (\$1 m. x .06)	.06 m.	(.06 m.)
Depreciable basis of qualified property for the shareholders		\$21.14 m.
Total amount of credit allowed the shareholders		\$.06 m.

Note: Each shareholder is allowed a pass through credit of \$30,000 (.06 m. ÷ 2 = .03 m.) sales or use tax credit.

Record Keeping

To support the sales or use tax credit claimed, keep all records that document the purchase of the qualified property, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The property purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid or incurred on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate that property of comparable quality and price was not timely available for purchase in California.

Instructions for Worksheet II
— Sales or Use Tax Credit

Line 1, column (a) – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the cost of the property listed in column (a).

Line 1, column (c) – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

Line 2, column (b) – Add the amounts in line 1, column (b).

Caution: This amount cannot exceed \$1 million for individuals, estates, trusts, partnerships, or \$20 million for corporations per taxable year. When computing the amount of credit to pass through to S corporation shareholders, use \$1 million limitation.

Line 2, column (c)

A. For partnerships, enter the amount from line 2, column (c), on form FTB 3809, Side 1, Part I, line 1b. Also, include the current year sales or use tax credit amount on Form 565 and Form 568, Schedule K, line 14 and the distributive share of the credit to partners and members on Schedule K-1 line 14.

B. For corporations, individuals, estates, and trusts, enter the amount from line 2, column (c) on Schedule Z, as follows:

- Part II, line 9B, column (b) for corporations, individuals, estates, and trusts;
- Part III, line 11, column (b) for S corporations; or
- Part IV, line 13, column (b) for corporations and S corporations subject to paying only the minimum franchise tax.

Caution: Only the sales or use tax paid or incurred on the cost of qualified property up to the limitations in column (b) may be claimed as a credit.

Worksheet II Sales or Use Tax Credit — Targeted Tax Area

(a) Property description and location		(b) Cost	(c) Sales or use tax
1			
2 Total the amounts in column (b) and column (c). See instructions		2	

Part III Business Expense Deduction

Certain businesses conducting a qualified trade or business within the TTA may elect to treat 40% of the eligible cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the eligible cost in the current year rather than depreciate it over several years.

Note: The TTA business expense deduction is not allowed for estates and trusts.

Qualified property is any recovery property that is IRC Section 1245 property which includes, but is not limited to, tangible personal property (excluding buildings) and most equipment and furnishings acquired by purchase after the TTA received its final designation and before the designation expires for exclusive use within the TTA. Office supplies and other small nondepreciable items are not included.

The maximum aggregate cost of the qualified property against which the 40% deduction may be claimed in any taxable year is determined by the number of taxable years that have elapsed since the TTA received its final designation. The TTA received final designation on November 1, 1998.

The maximum aggregate cost is:

Taxable year of designation	\$100,000
1st taxable year after designation . .	\$100,000
2nd taxable year after designation . .	\$75,000
3rd taxable year after designation . . .	\$75,000
Each remaining taxable year after designation	\$50,000

Election

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, the TTA business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Section 267 or 707(b); or
- Described in IRC Section 168(f).

Note: The TTA business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

A husband and wife filing separate returns may each claim 50% of the allowable deduction. In the case of a partnership, the 40% limitation applies to the partnership and to each partner.

Depreciation

If the business elects to deduct the amount computed in Worksheet III, Section A, as a

business expense, the depreciable basis of the property must be reduced by the deduction.

Subtract the amount claimed as a business expense from the basis or cost of the property and depreciate the remaining basis or cost.

Normal depreciation is allowed on the cost of the property in excess of the expensed amount, starting with the taxable year following the taxable year the property was placed in service.

Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property if any portion of it was deducted as a business expense. All other taxpayers cannot claim the deduction allowed under IRC Section 179 on any item of property if any portion of it was deducted as a business expense.

To compute the difference between California and federal depreciation, use the following forms or schedules:

- Form 100 and Form 100W filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Form 109, Schedule J, Depreciation;
- Form 540 and Long Form 540NR filers – FTB 3885A, Depreciation and Amortization — Individuals;
- Form 565 filers – FTB 3885P, Depreciation and Amortization — Partnerships; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization — Limited Liability Companies.

Instructions for Worksheet III — Business Expense Deduction & Recapture

Section A – Deduction Computation

Line 2, column (a) – Enter a description of the property and the location (street address and city) of its use. Attach additional schedule(s) if necessary.

Line 2, column (b) – Enter the cost of the property listed in column (a).

Line 5 – Enter the amount from line 5, column (b) on form FTB 3809, Side 1, Part II, line 2, and on your California tax return or schedule as follows:

- Form 100 and Form 100W, line 15;
- Form 100S, line 12, Form 100S, Schedule K, line 8, and Schedule K-1 (100S), line 8;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 565, Schedule K, line 9 and Schedule K-1 (565), line 9; or

- Form 568, Schedule K, line 9 and Schedule K-1 (568), line 9.

Section B – Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable year after the property was placed in service, the property is sold, disposed of, or no longer used exclusively in the TTA trade or business.

Income Adjustment: Add to current year income the amount previously deducted for the property.

Basis Adjustment: As of the first day of the taxable year in which the recapture event occurs, the recapture amount is added back to the basis in the year of recapture and then depreciated over the remaining life of the qualified property.

Line 1, column (a) – Enter a description of the property. Attach additional schedule(s) if necessary.

Line 1, column (b) – Enter the amount of the business expense deduction claimed for each property listed in column (a).

Line 2 – Enter the total on form FTB 3809, Side 1, Part V, line 6, and on your California tax return or schedule as follows:

- Form 100, line 15, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 6, and Schedule K-1 (100S), line 6;
- Form 100W, line 15, as a **negative** amount;
- Form 109, Part I, line 12;
- Schedule CA (540), column C, on the applicable line for your business activity;
- Schedule CA (540NR), column C, on the applicable line for your business activity;
- Form 565, Schedule K, line 7 and Schedule K-1 (565), line 7; or
- Form 568, Schedule K, line 7 and Schedule K-1 (568), line 7.

Example:

XYZ Inc. purchased a property on June 1, 2000 that qualified corporation to take the TTA business expense deduction. The property was purchased for \$10,000 and it had a useful life of five years. XYZ Inc.'s tax year ends December 31 of each year. The corporation had a business expense deduction of \$4,000 for the tax year ending December 31, 2002 on the property.

Assume the corporation disposes of the property or no longer uses the property in the TTA on August 5, 2002. The property was placed in service in 2000. The first year after the property was placed in service was the 2001 tax year. The second year after the property was placed in service was the 2002 tax year. Since the property was disposed of or no longer used in the TTA before the end of the second year (December 31, 2002) after the year the property was placed in service, the business expense deduction (\$4,000) must be added to income in the 2002 tax year.

If the property was disposed of or no longer used in the TTA after December 31, 2002, there is no recapture.

Situation 1

Assume on August 5, 2002, the corporation sells the asset. To compute the gain or loss on the sale, the basis of the asset is increased by the recapture amount of \$4,000.

Situation 2

Assume on August 5, 2002, the corporation discontinued using the property in the zone, but does not sell the asset. To compute depreciation on the asset, the recapture amount is added to the remaining basis of the asset, and depreciation is then computed over the remainder of the useful life of the asset.

Assuming straight line depreciation is used, the corporation will recognize \$2,833 (\$8,500/3) in depreciation expense in 2002. (\$8,500 is arrived at by adding the \$4,000 recapture amount to the \$4,500 remaining basis as of December 31, 2000)

Worksheet III Business Expense Deduction & Recapture — Targeted Tax Area

Section A Deduction Computation

1 The maximum aggregate deduction:

- Taxable year of designation, enter \$40,000;
- 1st taxable year after designation, enter \$40,000;
- 2nd taxable year after designation, enter \$30,000;
- 3rd taxable year after designation, enter \$30,000

1

	(a) Property description and location	(b) Cost
2		
3	Total. Add the amounts on line 2, column (b)	3
4	Multiply line 3 by 40% (.40)	4
5	Enter the smaller of line 1 or line 4. This is the maximum amount deductible as a business expense for the TTA. See instructions	5

Section B Deduction Recapture

	(a) Property description	(b) Recapture amount
1		
2	Total recapture amount. Add the amounts on line 1, column (b). See instructions	2

Part IV Doing Business Totally Within the Targeted Tax Area or Within and Outside the Targeted Tax Area

TTA tax credits are limited to the tax on business income attributable to operations within the TTA. TTA deductions are limited to business income attributable to operations within the TTA. If the business is located within and outside the TTA, the taxpayer must determine the portion of total business operations that are attributable to the TTA.

Business Income vs. Nonbusiness Income

Only business income is apportioned to the TTA to determine the incentive limitation. TTA tax credits are limited to tax on business income attributable to the operations within the TTA. TTA deductions are limited to business income attributable to operations within the TTA.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the regular trade or business operations. Nonbusiness income is all income other than business income. Get Title 18 Cal. Code Reg. Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes, but is not limited to, California business income or loss from Schedules C, D, D-1 (or federal Form 4797, Sales of Business Property, in lieu of a Schedule D-1), E, and F, as well as wages. Be sure to include casualty losses, disaster losses, and any business deductions reported on federal Form 1040 Schedule A as itemized deductions.

In essence, all income which arises from the conduct of trade or business operations of a taxpayer is business income.

Note: If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the TTA. Pass-through entities must report to their shareholders, beneficiaries, partners, and members:

1. The distributive (or pro-rata for S corporations) share of the business income apportioned to the TTA; and
2. The distributive (or pro-rata for S corporations) share of the business capital gains and losses apportioned to the TTA included in item 1.

These items should be reported using the appropriate California schedules listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;

- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

Form 540 and Long Form 540NR filers, refer to Worksheet IV, Section C to compute business income apportioned to the TTA. For business entities, including sole proprietors, use Worksheet IV, Section A or B to compute business income or loss apportioned to the TTA.

Apportionment

Business income is apportioned to the TTA by multiplying the total California business income of the taxpayer by a fraction. The numerator which is the property factor plus the payroll factor, and the denominator which is two. Loss is apportioned to the TTA by multiplying the taxpayer's net business operating loss from all sources by a fraction. The numerator which is the property factor plus the payroll factor, and the denominator which is two. If an employer conducts businesses in more than one TTA, the TTA apportionment factor and credit limitations are computed separately for each TTA.

Property Factor

Property factor is defined as the average value of all real and tangible personal property owned or rented by the taxpayer and used during the taxable year to produce business income.

Note: Property is included in the factor if it was available for use during the taxable year. Property owned by the business is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

Rented property is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less total annual subrental rates paid by subtenants.

When determining income or loss apportionment, on Worksheet IV, Section A or B, the numerator of the property factor is the average value of the taxpayer's real and tangible personal property owned or rented by the taxpayer and used within the TTA during the taxable year to produce TTA business income. See Worksheet IV, Section A/B, column (b).

When determining income apportionment on Worksheet IV, Section A, the denominator of the property factor is the total average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year within California. See Worksheet IV, Section A, column (a).

When determining loss apportionment on Worksheet IV, Section B, the denominator of the property factor is the total average value of the taxpayer's real and tangible personal

property owned or rented and used during the year in all business operation locations. See Worksheet IV, Section B, column (a).

Payroll Factor

Payroll is defined as the total amount paid to the business's employees for compensation for the production of business income during the taxable year.

Compensation means wages, salaries, commissions, and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

Compensation Within the TTA

Compensation is considered to be within the TTA if any one of the following tests is met:

1. The employee's services are performed within the geographical boundaries of the TTA; or
2. The employee's services are performed within and outside the TTA, but the services performed outside the TTA are incidental to the employee's service within the TTA.

Incidental means any temporary or transitory service performed in connection with an isolated transaction.

3. If the employee's services are performed within and outside the TTA, the employee's compensation is attributed to the TTA if:
 - A. The employee's base of operations is within the TTA; or
 - B. There is no base of operations in any other part of the state in which some part of the service is performed, and the place from which the service is directed or controlled is within the TTA; or
 - C. The base of operations or the place from which the service is directed or controlled is not in any other part of the state in which some part of the service is performed and the employee's residence is within the TTA.

Base of operations is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The numerator of the payroll factor is the total compensation paid to employees for working within the TTA during the taxable year. See Worksheet IV, Section A, column (b).

When determining income apportionment on Worksheet IV, Section A, the denominator of the payroll factor is the taxpayer's total compensation paid to employees working in California. See Worksheet IV, Section A, column (a).

Parent Corporation A has two subsidiaries, B and C. Corporations A and B operate within the TTA. The combined group operates within and outside California and apportions its income to California using Schedule R. Assume the combined group's business income apportioned to California was \$1,000,000 and Corporation A and B's share of business income assigned to California is

	A	B
<u>Property Factor</u>		
TTA Property	\$1,000,000	\$ 800,000
California Property	\$1,000,000	\$1,200,000
Apportionment %	100%	66.66%
<u>Payroll Factor</u>		
TTA Payroll	\$ 800,000	\$ 800,000
California Payroll	\$ 800,000	\$1,000,000
Apportionment %	100%	80%
Average Apport. %	100%	73.33%
<u>(Property + Payroll Factors)</u>		
2		

Only California source business income is apportioned to the TTA. A taxpayer's TTA business income is its California apportioned business income multiplied by the specific TTA apportionment percentage.

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The TTA property and payroll factors used in the determination of apportionable business income include only the taxpayer's California amounts in the denominator.

apportioned to the TTA. A taxpayer's TTA net operating loss is its net business operating loss from all sources multiplied by the specific

Section B – Loss Apportionment

Use Worksheet IV, Section B, Loss Apportionment, to determine your net operating loss

Worksheet IV (continued)

Section B Loss Apportionment (For the computation of current year net operating loss only)

Use Worksheet IV, Section B, if your business has net losses from sources within and outside the TTA.

	(a) Total within and outside the TTA	(b) Total within the TTA	(c) Percentage within the TTA column (b) ÷ column (a)
PROPERTY FACTOR			
1 Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions. Exclude property not connected with the business and the value of construction in progress.			
Inventory			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Delivery equipment			
Land			
Other tangible assets (attach schedule)			
Rented property used in the business. See instructions for more information			
Total property values			
PAYROLL FACTOR			
2 Employees' wages, salaries, commissions, and other compensation related to business income included in the return.			
Total payroll			
3 Total percentage – sum of the percentages in column (c)			
4 Average apportionment percentage (1/2 of line 3). Enter here and on Worksheet V, Section B, line 4			

Note: The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the TTA. Also, those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer does not have any payroll within or outside the TTA, then the average apportionment percentage would be computed by dividing line 3 by one instead of by two as normally instructed.

TTA apportionment percentage computed in Worksheet IV, Section B.

The TTA property and payroll factors used in the determination of the apportioned business net operating loss include worldwide amounts in the denominator.

Section C – Income or Loss

Form 540 and Long Form 540NR filers, use Worksheet IV, Section C to determine the amount to enter on:

- Worksheet V, Section A, line 1;
- Worksheet V, Section C, line 1 and line 6; and
- Schedule Z, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the TTA. A taxpayer's TTA business income is its California apportioned business income computed using Schedule R, multiplied by the specific TTA apportionment percentage computed using Worksheet IV, Section A.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income may be apportioned to the TTA. See Part IV, Doing Business Totally Within the Targeted Tax Area or Within and Outside the Targeted Tax Area, for a complete discussion of business and nonbusiness income.

Business income or loss reported on federal Form 1040 Schedule C, C-EZ, E, F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedule D and Schedule D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA.

Part I Individual Income and Expense Items

Wages

Taxpayers with wages from a company located within and outside the TTA must determine the TTA wage income by entering the percentage of the time that they worked within the TTA in column (b). The percentage of time should be for the same period for which the wages entered on line 1 were earned. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

Part II Pass-Through Income or Loss

Multiple Pass-Through Entities

If you are a shareholder, beneficiary, partner, or member in multiple pass-through entities with businesses located within and outside the TTA from which you received TTA tax incentives, see the example in the next column for computing business income in the TTA.

Example:			
	Trade or business income from		
	Schedule K-1 (100S, 541, 565, or 568)	Entity's TTA apportionment percentage	TTA apportioned income
ABC, Inc.	\$40,000	80%	\$32,000
A, B, & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
Total			\$40,000

Part III Taxpayer's Trade or Business

Business Income or Loss

Use business income or loss from federal Form 1040 Schedules C, C-EZ, E, and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also, include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 as adjusted on Schedule CA (540 or 540NR).

Income Computation

To compute the TTA Income Worksheet V, Section C, and Schedule Z, you must complete Worksheet IV, Section C. The instructions below refer to Worksheet IV, Section C.

Located Entirely Within the TTA

Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity within column (a), and enter 1.00 in column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b).

Located Entirely Within California

Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within California, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset

used in an activity conducted entirely within California, enter the gain or loss reported in column (a). To determine the apportionment percentage figure in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

Located Within and Outside the TTA and California

Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA and California, get Schedule R and complete line 1 through line 13b. Enter the amount from Schedule R, line 13b in column (a) of this worksheet. To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

Note: When computing Schedule R, disregard any reference to Form 100, Form 100W, Form 565, or Form 568. Also, disregard any reference to Schedule R-3, Schedule R-4, or Schedule R-5, and skip line 11.

Nonresidents that have an apportioning business that operates within the TTA should have already computed Schedule R, and can use those amounts when that schedule is referenced. Residents that have an apportioning business will not have completed a Schedule R since they are taxed on income from all sources. However, in order for residents to determine their California source business income for purposes of the TTA computation, they also must complete a Schedule R.

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section A. Enter the percentage from Worksheet IV, Section A, line 4, column (c) on Worksheet IV, Section C, column (b).

Line 14

If you are computing the TTA Net Operating Loss (NOL) and the result on the Income or Loss Worksheet, line 14, column (c) is a **negative** amount, enter this amount on Worksheet V, Section A, line 1.

Note: If the amount is positive, you do not have a TTA NOL.

If you are computing the TTA business income and the result on the Income or Loss Worksheet, line 14, column (c) is a **positive** amount and:

- You have TTA NOL carryovers, enter the amount on Worksheet V, Section C, line 1 and line 6 (skip line 2 through line 5). Enter the amount from the Income or Loss Worksheet, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2) if you have TTA credits; or
- You do not have TTA NOL carryovers but you do have TTA credits or credit carryovers, enter the amount on Schedule Z, Part I, line 1 and line 3 (skip line 2).

Note: If the amount is negative, you do not have any business income attributable to the TTA and you cannot utilize any TTA NOL carryover, credit(s), or credit carryover(s) in the current taxable year.

Loss Computation

To compute the TTA NOL for Worksheet V, Section A, you must complete Worksheet IV, Section C. The instructions below refer to Worksheet IV, Section C.

Located Entirely Within the TTA

Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is entirely within the TTA, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted entirely within the TTA, enter the gain or loss reported in column (a), and enter 1.00 in column (b). Located Within and Outside the TTA

Located Within and Outside the TTA

Line 6 – Line 9

If your business operation reported on federal Form 1040 Schedule C, C-EZ, E, F, or other schedule is within and outside the TTA, enter the income or loss from this activity in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

Line 11 and Line 12

If the gain or loss reported on Schedule D or Schedule D-1 as adjusted on Schedule CA (540 or 540NR) was attributed to an asset used in an activity conducted within and outside the TTA, enter the gain or loss

Worksheet IV (continued)

Section C Income or Loss

Part I Individual Income and Expense Items. See instructions.

	(a) Amount	(b) Percentage of time providing services in the TTA	(c) Apportioned amount (a) x (b)
1 Wages			
2 Employee business expenses			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c) on this line			

Part II Pass-Through Income or Loss. See instructions.

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the TTA from Schedule K-1 (100S, 541, 565, or 568) including capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b) on this line	

Part III Taxpayer's Trade or Business. See instructions.

	(a) Business income or loss	(b) Apportionment percentage for the TTA	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ			
7 Schedule E (Rentals)			
8 Schedule F			
9 Other business income or loss			
10 Subtotal: Enter the total of line 6 through line 9, column (c) on this line			

	(a) Business gain or loss	(b) Apportionment percentage for the TTA	(c) Apportioned gain or loss (a) x (b)
11 Schedule D			
12 Schedule D-1			
13 Subtotal: Enter the total of line 11, column (c) and line 12, column (c) on this line			
14 Total: Enter the total of column (c) for line 3, line 10, and line 13, and line 5, column (b) on this line. See instructions			

reported in column (a). To determine the apportionment percentage in column (b), complete Worksheet IV, Section B. Enter the percentage from Worksheet IV, Section B, line 4, column (c) on Worksheet IV, Section C, column (b).

Line 14

See line 14 under Income Computation.

Part V Net Operating Loss (NOL) Computation and Loss Limitations

A TTA NOL generated by a business that operates or invests within the TTA can be carried forward for 15 years but may not be carried back. In addition, up to 100% of the NOL generated in the TTA can be carried forward.

The business cannot generate NOLs from activities within the TTA before the first taxable year beginning on or after the date the TTA is officially designated or for the taxable years ending after the designation expires. The TTA received final designation on November 1, 1998.

Limitation

A TTA NOL deduction can only offset business income attributable to operations within the TTA.

Election

Taxpayers must elect and designate the carryover category (general or specific, enterprise zone, LAMBRA, TTA, or Pierce's disease NOL) on the original return for the year of a loss and file form FTB 3809 for each year in which a TTA NOL deduction is being taken. The election is **irrevocable**.

Note: If you elect the TTA NOL deduction, you are prohibited by law from carrying over any other type of NOL (relating to TTA activities) from this year.

To determine which type of NOL will provide the greatest benefit, businesses that have general or specific, EZ, LAMBRA, TTA, or Pierce's disease NOLs, or that may qualify for the special NOL treatment should estimate future income and complete Worksheet V and the following forms or worksheets if applicable:

- FTB 3805D, Net Operating Loss (NOL) Computation and Limitation — Pierce's Disease;
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations;

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts;
- FTB 3805Z, Enterprise Zone Business Booklet, Schedule Z; or
- FTB 3807, Local Agency Military Base Recovery Area Business Booklet, Worksheet V.

Alternative Minimum Tax

Taxpayers claiming a TTA NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 100W, 540, 540NR, or 541) to compute the NOL for alternative minimum tax purposes.

S corporations

TTA NOLs incurred prior to becoming an S corporation cannot be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a TTA NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

NOL Carryover Amount – Businesses Operating Totally Within the TTA

For taxpayers with all payroll and property within the TTA, the NOL carryover is determined by computing the business loss that results from business activity within the TTA.

NOL Carryover Amount – Businesses Operating Within and Outside the TTA

If the business is located within and outside the TTA, the loss amount available for carryover is determined by apportioning the total business loss of the entity to the TTA pursuant to the provisions of R&TC Chapter 17 (commencing with Section 25101), with certain modifications to the apportioning factors. The apportionment factors include the property and payroll factors, and compare TTA property and payroll to total property and payroll. The loss calculation is done on Worksheet V, Section A for individuals and

exempt trusts, and Worksheet V, Section B for corporations. The apportionment factor computation is done on Worksheet IV, Section B for business entities and Worksheet IV, Section C for individuals. The loss carryover is deducted from income apportioned by each business to the TTA in subsequent years. This computation is done on Worksheet V, Section C.

Corporations that are members of a unitary group filing a combined report must separately compute loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors.

Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For any water's-edge taxpayer, RTC Section 24416(c) imposes a limitation on the NOL deduction, if the NOL is generated during a non-water's edge tax year. The NOL carryover

is limited to the lesser of the NOL or the re-computed NOL. The re-computed NOL carryover is re-determined by computing the income and factors of the original worldwide combined reporting group, as if the water's-edge election had been in force for the year of the loss. RTC Section 24416(c) serves as a limitation. If this section applies, the NOL carryover for each corporation may only be decreased, but not increased.

Instructions for Worksheet V — Net Operating Loss Computation and Loss Limitations

Individuals and exempt trusts with a current year loss should complete Section A. Corporations with a current year loss complete Section B. Individuals, exempt trusts, and corporations with current year income and a prior year TTA NOL carryover complete Section C.

Section A – Computation of Current Year NOL — Individuals and Exempt Trusts

Use this section to compute the TTA NOL to be carried over to future years by individuals and exempt trusts. Complete Section A only if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, before you can compute the allowable TTA loss.

To compute the TTA NOL, separate business income and deductions from nonbusiness income and deductions. See Part IV for a complete discussion of business and nonbusiness income.

Section B – Computation of Current Year NOL — Corporations

Use this section to compute the TTA NOL to be carried over to future years for corporations. Complete Section B only if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable TTA loss.

Section C – Computation of NOL Carryover and Carryover Limitations

For taxable years beginning in 2002 and 2003, California has suspended the Net Operating Loss carryover deduction. However, the deduction for disaster losses is not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by two years for losses incurred before January 1, 2002 and by one year for losses incurred after January 1, 2002 and before January 1, 2003.

For more information, get forms FTB 3805V and 3805Q.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources. Only your California sourced income and losses are considered in determining if you have a California NOL.

As a result of the NOL suspension, Worksheet V, Section C (Computation of NOL Carryover and Carryover Limitations - Individuals, Exempt Trusts, and Corporations), line 1 through line 7 are shaded because they are not required this year.

Line 8 through Line 11 — Enter the amounts on line 8 through line 11 as positive numbers.

In column (e), enter the amount from column (b), as applicable.

Example:

(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) TTA NOL carryover
		\$5,000	

Worksheet V Net Operating Loss (NOL) — Targeted Tax Area

Section A Computation of Current Year Net Operating Loss — Individuals and Exempt Trusts

1	Net trade or business loss from all sources. Individuals: Enter the total from Worksheet IV, Section C, line 14, column (c) as a positive number. For purposes of this worksheet section, do not include any 2001 losses or disaster loss carryovers in line 1. See instructions for definition of business income. Exempt Trusts: Enter the amount from Form 109, line 10	1	
2	Total business capital losses included in line 1. Enter as a positive number	2	
3	Total business capital gains included in line 1	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0-	4	
5	Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from the TTA	5	
6	Enter the amount from form FTB 3805V, Part I, Section A, line 20	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 12, column (e) This is the TTA NOL carryover from 2002 to 2003.	7	

Worksheet V (continued)**Section B Computation of Current Year Net Operating Loss — Corporations****Note:** If you have a TTA NOL and a prior year general NOL, see instructions.

Check the appropriate box to describe your entity type during the year that the NOL was incurred:

☐ C corporation ☐ S corporation ☐ Exempt corporation

1 Net loss for state purposes from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number. Note: Apportioning corporations, enter the amount from Schedule R, line 12.	1	
2 a 2002 disaster relief loss included in line 1. Enter as a positive number	2a	
b Nonbusiness income included in line 1. Enter as a negative number	2b	
c Nonbusiness losses included in line 1. Enter as a positive number	2c	
d Combine line 2a through line 2c.	2d	
3 Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL	3	
4 Enter the average apportionment percentage from Worksheet IV, Section B, line 4	4	
5 Multiply line 3 by line 4	5	
6 Enter the amount from form FTB 3805Q, Part I, line 3	6	
7 Enter the smaller of line 5 or line 6 here and in Section C, line 12, column (e) This is the TTA NOL carryover from 2002 to 2003.	7	

Section C Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Trusts, and Corporations. See instructions.

1 Enter the amount from Form 100 or Form 100W, line 18; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 and Form 540NR filers, enter the total from Worksheet IV, Section C, line 14, column (c) on line 1 and line 6 (skip line 2 through line 5). See instructions. Note: Corporations which file a combined report, enter the taxpayer's business income assigned to California (See instructions Part IV).	1		SUSPENDED
2 a Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Long Form 540NR filers leave blank	2a		
b Form 100, Form 100W, Form 100S, and Form 109 filers: Enter any nonbusiness loss included in line 1 as a positive number. Form 540 and Long Form 540NR filers leave blank	2b		
c Combine line 2a and line 2b	2c		
3 Form 100 or Form 100W filers: Enter the amount from Form 100 or Form 100W, line 22. Form 100S filers: Enter the total of the amount from Form 100S, line 17 and line 20. Form 540, Long Form 540NR, and Form 109 filers: Enter -0-. Enter this amount as a negative number	3		
4 Combine line 1, line 2c, and line 3. If zero or less, enter -0- on line 6	4		
5 Enter the average apportionment percentage from Worksheet IV, Section A, line 4	5		
6 Modified taxable income. Multiply line 4 by line 5. See instructions	6		

(a) Description	(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) TTA NOL carryover
7 Modified taxable income from line 6				
8 TTA NOL carryover beginning in 1998.				
9 TTA NOL carryover beginning in 1999.				
10 TTA NOL carryover beginning in 2000.				
11 TTA NOL carryover beginning in 2001. See instructions				
12 TTA NOL Carryover beginning in 2002. See instructions				
13 Total the amounts in column (b), and column (e). See instructions				

Line 12 – Enter the amount of your current year NOL in column (e). For individuals and exempt trusts, enter the amount from Section A, line 7. For corporations, enter the amount from Section B, line 7.

Line 13 – Total the amounts in column (b), and column (e). Enter the totals from column (b) and column (e) on form FTB 3809, Side 1, line 3a and line 3c, accordingly.

Part VI Computation of Credit Limitations

Credit Limitations

The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to TTA business income. Use Schedule Z, Computation of Credit Limitations form FTB 3809, Side 2 to compute this limitation.

If a taxpayer owns an interest in a disregarded business entity, the amount of the credit that can be utilized is limited to the difference between the taxpayer's regular tax computed with the income of the disregarded entity, and the taxpayer's regular tax computed without the income of the disregarded entity. For more information on disregarded business entities, get Form 568, Limited Liability Company Tax Booklet.

Partnerships must allocate the credit among the partners according to the partners' distributive share as determined in a written partnership agreement. See R&TC Section 17039(e).

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations and S corporations), annual tax (partnerships and QSub), alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), built-in gains tax (S corporations), or excess net passive income tax (S corporations).

Refer to the credit instructions in your tax booklet for more information.

Members of a Unitary or Combined Group

The TTA credits cannot be allocated or otherwise transferred to another taxpayer, even if the other taxpayer is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit. For example, a subsidiary corporation that generates a TTA hiring credit cannot allocate the credit to the parent corporation.

S Corporations and the Application of TTA Credits

An S corporation may use its TTA credits to reduce TTA tax at both the corporate and shareholder levels.

An S corporation may use 1/3 of the TTA credits to reduce the tax on the S corporation's TTA business income. In addition, S corporation shareholders may

claim their pro-rata share of the entire amount of the TTA credits computed under the Personal Income Tax Law.

Example: In 2002, an S corporation qualified for a \$3,000 TTA hiring credit. The S corporation will be able to use 1/3 of the credit ($\$3,000 \times 1/3 = \$1,000$) to offset the tax on the corporation's TTA income.

The S corporation will also pass-through a \$3,000 credit to its shareholders to offset their individual tax (computed under the Personal Income Tax Law) on TTA income.

S corporations should attach form FTB 3809 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits.

The investors need to attach Form 3809 to their returns.

Carryover

If the amount of credit available this year exceeds your TTA tax, you may carry over any excess credit to future years until exhausted. Apply the carryover to the earliest taxable year(s) possible. In no event can the credit be carried back and applied against a prior year's tax.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the S corporation entity-level business tax. See the instructions for Schedule Z, Part III, for more information.

Credit Code Number

You must use credit code number 210 to claim the TTA hiring and sales or use tax credits on your tax return. Using an incorrect code number may cause a delay in allowing the credit(s).

Instructions for Schedule Z — Computation of Credit Limitations

Note: Schedule Z is on Side 2 of form FTB 3809.

Partnerships

Do not complete Schedule Z. The partners and members of these types of entities should complete Schedule Z in order to determine the amount of TTA credits that they may claim on their California tax return. S corporations and their shareholders must complete Schedule Z.

Reporting Requirements of S Corporations, Estates and Trusts, and Partnerships

- Report to shareholders, beneficiaries, partners, and members, the distributive or pro-rata share of business income, losses, and deductions apportioned to the TTA; and
- Separately state any distributive or pro-rata share of business capital gains and losses apportioned to the TTA included in the amount above.

S corporations

Complete only Part I and Part III of Schedule Z if your entity-level tax before credits is more than the minimum franchise tax.

Corporations and S corporations subject to the minimum franchise tax only

Complete only Part IV of Schedule Z.

All others: Complete Part I and Part II of Schedule Z.

Part I

Note: For filers with NOLs or NOL carryovers.

- Complete Worksheet V first if you have a current year NOL or an NOL carryover.
- Then complete Schedule Z if you have any TTA credits.

If you do not have a current year NOL or any NOL carryovers:

- Individuals: Go to Worksheet IV, Section C. Follow the instructions there. Enter the amount from Worksheet IV, Section C, line 14, column (c) on Schedule Z, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

Line 1 – Enter all trade or business income. See Part IV for the definition of business income.

Line 2 – If your business is located entirely within the TTA, enter 1.

This percentage is the apportionment percentage computed by the entity using Worksheet IV, Section A, and represents the percentage of the entity's business income attributable to the TTA.

Line 6a – Compute the tax as if the TTA taxable income represented all of your taxable income.

Individuals

Use the tax table or tax rate schedule in your tax booklet for your filing status.

Exempt organizations

Use the applicable tax rate in your tax booklet.

Corporations and S corporations

Use the applicable tax rate.

Example: (Determination of TTA Income for Shareholders, Partners, or Members of Pass-Through Entities)

John Anderson is vice president of ABC, Inc., an S corporation that has two locations: one within the TTA and one outside the TTA. Eighty percent (80%) of the S corporation's business is attributable to the TTA.

Note: This percentage was determined by ABC, Inc. using Worksheet IV, Section A, when ABC's S corporation return (Form 100S) was prepared.)

John divides his time equally (50/50) between the two offices of ABC, Inc. Jackie Anderson (John's spouse) works for ABC, Inc. at its office located within the TTA.

John and Jackie Anderson have the following items of California income and expense for the 2002 tax year:

John's salary from ABC, Inc. \$100,000
 Jackie's salary from ABC, Inc. 75,000
 Interest on savings account 1,000
 Dividends 3,000
 Schedule K-1 (100S) from ABC, Inc.:

Ordinary income 40,000
 TTA business expense deduction (5,000)*

John's unreimbursed employee expenses from federal Schedule A (2,000)

*The TTA business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Anderson's TTA income (total amount to be reported on line 3) is computed as follows:

John's TTA salary
 (\$100,000 x 50%) \$50,000
 Jackie's TTA salary
 (\$75,000 x 100%) 75,000
 Pass-through ordinary income from
 ABC, Inc. (\$40,000 x 80%) 32,000
 TTA business expense deduction
 from ABC, Inc. (5,000)
 John's unreimbursed
 employee business
 expenses (\$2,000 x 50%) (1,000)
 Total TTA income
 (Schedule Z, Part I, line 3) \$151,000

Note: The standard deduction and personal or dependency exemptions are not included in the computation of TTA income since they are not related to trade or business activities. John and Jackie must compute the tax (to be entered on Schedule Z, Part I, line 6a) on the total TTA income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 2002 tax computed on \$151,000 is \$10,348.

Line 6b – Corporations and S corporations

If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your TTA credits this year. You should complete Part IV of the worksheet to compute the amount of credit carryover.

Part II

Use Part II of Schedule Z if you are a corporation, individual, estate, or trust. Corporations and S corporations that are subject to paying only the minimum franchise tax, go to Part IV of Schedule Z.

Line 8A, column (e) – Enter the amount from line 7. This is the amount of limitation based on the tax on TTA business income.

Line 8A, column (f) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 8A, column (e) or the amount computed on line 8B, column (d). Enter this amount on form FTB 3809, Side 1, line 1a.

Line 8B, column (b) – Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 4.

Line 8B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on Worksheet I, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year return.

Line 8B, column (d) – Add the amount of the current year credit on line 8B, column (b) and the amount of the total prior year carryover on line 8B, column (c).

Line 8B, column (e) – Compare the amounts on line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

Line 8B, column (g) – Subtract the amount on line 8B, column (e) from the amount on line 8B, column (d). Enter the result on line 8B, column (g). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

Line 9A, column (e) – Subtract the amount on line 8B, column (e) from the amount on line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amount from line 9B, column (d) on line 9B, column (g).

Line 9A, column (f) – Enter the amount of credit that is used on Schedule P (100, 100W, 540, 540NR, or 541), column (b). The amount cannot be greater than the amount on line 9A, column (e) or the amount computed on line 9B, column (d). Enter this amount on form FTB 3809, Side 1, line 1b.

Line 9B, column (b) – Enter the amount of the current year credit that was computed on Worksheet II, line 2, column (c).

Line 9B, column (c) – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on Worksheet II in the prior year, minus the amount that was allowed to be taken on the prior year return.

Line 9B, column (d) – Add the amount of the current year credit on line 9B, column (b) and the amount of the total prior year carryover on line 9B, column (c).

Line 9B, column (e) – Compare the amounts on line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

Line 9B, column (g) – Subtract the amount on line 9B, column (e) from the amount on line 9B, column (d). Enter the result on line 9B, column (g). This is the amount of credit that can be carried over to future years.

Note: This carryover includes both the Schedule P (100, 100W, 540, 540NR, or 541) limitation and the limitation based on TTA business income.

Example: Part II

Assume the ABC Business has \$8,000 of tax. The business computed a credit limitation based on the TTA income of \$7,000 on Schedule Z, line 7.

Part II Limitation of Credits for Corporations, Individuals, and Estates and Trusts. See instructions.

	(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit col. (b) plus col. (c)	(e) Limitation based on TTA business income	(f) Used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
8 Hiring credit	A				7,000	800	
	B	500	300	800	800		–0–
9 Sales or use tax credit	A				6,200	6,200	
	B	9,000	–0–	9,000	6,200		2,800

The business has the following credits:

Hiring credit	—	\$500
and a \$300 carryover from a prior year		
Sales or use tax credit	—	
\$9,000		

Schedule Z, Part II would be computed as follows:

Part III

Use Part III of Schedule Z only if you are an S corporation.

Line 10 and Line 11, column (b) – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II in column (b) for line 10 and line 11, as applicable. Also enter this amount on Form 100S:

- Schedule C, line 4; and
- Schedule K, line 13.

You may need to adjust your Schedule C (100S) to reflect the TTA tax limitation (Part I, line 7) to your credits after completing this worksheet.

Line 10 and Line 11, column (c) – Multiply the amounts on line 10 and line 11, column (b) by 1/3. Enter these amounts in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

Line 10 and Line 11, column (d) – Enter the amounts of total prior year credit carryover. These are the credit amounts that were previously computed on the prior year Worksheet I and Worksheet II, minus the amounts that were allowed to be taken on the prior year return.

Line 10 and Line 11, column (e) – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

Line 10 and Line 11, column (f) – Enter the credit amounts that were used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations). Enter the amounts in

column (f) for line 10 and line 11 on form FTB 3809, Side 1, line 1a and line 1b, as applicable.

Line 10 and Line 11, column (g) – Subtract the amount in column (f) for each line from the amounts in column (e). These are the credit amounts that can be carried over to future years and used by the S corporation.

Part IV

Use Part IV of Schedule Z if you are a corporation or S corporation subject to paying only the minimum franchise tax.

Line 12 and Line 13, column (b) – Enter the amounts of current year credits that were computed on Worksheet I and Worksheet II. S corporations may enter only 1/3 of the amounts from Worksheet I and II on line 12, column (b) and line 13, column (b), as applicable.

Line 12 and Line 13, column (c) – Enter the amounts of the total prior year credit carryovers. These are the credit amounts that were previously computed on Worksheet I and Worksheet II in the prior year, minus the amounts that were allowed to be taken on the prior year return. S corporations may enter only 1/3 of the amounts from Worksheet I and Worksheet II.

Line 12 and Line 13, column (d) – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the credit amounts that can be carried over to future years.

Standard Industrial Classification Manual, 1987 Edition (Partial Listing)

The Standard Industrial Classification (SIC) Manual is organized using a hierarchical structure, first by division, then by two-digit major groups within each division, then by three-digit industry groups within each major group, and finally by four-digit industry codes within each industry group.

Classification of business activities is based upon establishments, which are defined in the SIC Manual as an economic unit, generally at a single physical location, where business is conducted, or where services or industrial operations are performed. A taxpayer's enterprise may consist of more than one establishment. The SIC Manual provides the following examples of establishments: A factory, mill, store, hotel, movie theater, mine, farm, ranch, bank, railroad depot, airline terminal, sales office, warehouse, or central administrative office. Where distinct and separate economic activities are performed at a single physical location (such as construction activities operated out of the same physical location as a lumber yard), each activity should be treated as a separate establishment where: (1) No one industry description in the SIC Manual includes such combined activities; (2) The employment in each economic activity is significant; and

(3) Separate reports are prepared on the number of employees, their wages and salaries, sales or receipts, property and equipment, and other types of financial data, such as financial statements, job costing, and profit center accounting.

For purposes of this publication, the following SIC codes are listed since only taxpayers with establishments in these industry codes qualify for the TTA tax incentives:

- SIC Codes 2000 through 2099;
- SIC Codes 2200 through 3999;
- SIC Codes 4200 through 4299;
- SIC Codes 4500 through 4599; and
- SIC Codes 4700 through 5199.

The complete Standard Industrial Classification Manual, 1987 Edition, is available for purchase from:

NATIONAL TECHNICAL INFORMATION SERVICE
5285 PORT ROYAL ROAD
SPRINGFIELD VIRGINIA 22161
Order No. PB 87-100012

The manual is also available on the Internet at:
www.osha.gov/oshstats/sicser.html

The four-digit industry codes within Division D of the SIC Manual are: (*nec* means "not elsewhere classified")

3291 Abrasive products	3578 Calculating & accounting equipment	3466 Crowns & closures	3365 Fasteners, buttons, needles, & pins
2891 Adhesives & sealants	2064 Candy & other confectionery products	3643 Current-carrying wiring devices	2875 Fertilizers, mixing only
2879 Agricultural chemicals, <i>nec</i>	2062 Cane sugar refining	2391 Curtains & draperies	2655 Fiber cans, drums, & similar products
3563 Air & gas compressors	2033 Canned fruits & vegetables	3087 Custom compound purchased resins	2262 Finishing plants, manmade
3728 Aircraft parts & equipment, <i>nec</i>	2091 Canned & cured fish & seafood	3281 Cut stone & stone products	2261 Finishing plants, cotton
3724 Aircraft engines & engine parts	2032 Canned specialties	3421 Cutlery	2269 Finishing plants, <i>nec</i>
3721 Aircraft	2394 Canvas & related products	2865 Cyclic crudes & intermediates	3211 Flat glass
2812 Alkalies & chlorine	3955 Carbon paper & inked ribbons	2034 Dehydrated fruits, vegetables, & soups	2087 Flavoring extracts & syrups, <i>nec</i>
3354 Aluminum extruded products	2895 Carbon black	3843 Dental equipment & supplies	2041 Flour & other grain mill products
3355 Aluminum rolling & drawing, <i>nec</i>	3624 Carbon & graphite products	2675 Die-cut paper products	3824 Fluid meters & counting devices
3365 Aluminum foundries	3592 Carburetors, pistons, rings, & valves	2085 Distilled & blended liquors	3492 Fluid power valves & hose fittings
3353 Aluminum sheet, plate, & foil	2273 Carpets & rugs	2047 Dog & cat food	2026 Fluid milk
3363 Aluminum die-casting	2823 Cellulosic manmade fiber	3942 Dolls & stuffed toys	3594 Fluid power pumps & motors
3483 Ammunition, except for small arms, <i>nec</i>	3241 Cement, hydraulic	2591 Drapery hardware, blinds, & shades	3593 Fluid power cylinders & actuators
3826 Analytical instruments	3253 Ceramic wall & floor tile	2023 Dry, condensed, & evaporated dairy products	2657 Folding paperboard boxes
2077 Animal & marine fats & oils	2043 Cereal breakfast foods	2079 Edible fats & oils, <i>nec</i>	2099 Food preparations, <i>nec</i>
2387 Apparel belts	2022 Cheese, natural & processed	3641 Electric lamps	3556 Food products machinery
2389 Apparel & accessories, <i>nec</i>	2899 Chemical preparations, <i>nec</i>	3634 Electric housewares & fans	3131 Footwear cut stock
3446 Architectural metal work	2067 Chewing gum	3699 Electrical equipment & supplies, <i>nec</i>	3149 Footwear, except rubber, <i>nec</i>
3292 Asbestos products	2066 Chocolate & cocoa products	3629 Electrical industrial apparatus, <i>nec</i>	2092 Fresh/frozen prepared fish/seafood
2952 Asphalt felts & coatings	3255 Clay refractories	3845 Electromedical equipment	2053 Frozen bakery products, except bread
2951 Asphalt paving mixtures & blocks	2295 Coated fabrics, not rubberized	3313 Electrometallurgical products	2038 Frozen specialties, <i>nec</i>
3581 Automatic vending machines	3316 Cold finishing of steel shapes	3679 Electronic components, <i>nec</i>	2037 Frozen fruits & vegetables
2396 Automotive & apparel trimmings	2754 Commercial printing, gravure	3678 Electronic connectors	2371 Fur goods
3465 Automotive stampings	2752 Commercial printing, lithographic	3671 Electron tubes	2599 Furniture & fixtures, <i>nec</i>
2673 Bags: plastic, laminated, & coated	2759 Commercial printing, <i>nec</i>	3676 Electronic capacitors	3944 Games, toys, & children's vehicles
2674 Bags: uncoated paper & multiwall	3582 Commercial laundry equipment	3676 Electronic resistors	3053 Gaskets, packing, & sealing devices
3562 Ball & roller bearings	3646 Commercial lighting fixtures	3677 Electronic coils & transformers	3569 General industrial machinery, <i>nec</i>
2063 Beet sugar	3669 Communication equipment	3571 Electronic computers	2369 Girls' & children's outerwear, <i>nec</i>
2836 Biological products except diagnostic	3577 Computer peripheral equipment, <i>nec</i>	3534 Elevators & moving stairways	2361 Girls' & children's dresses, blouses
2782 Blankbooks & looseleaf binders	3575 Computer terminals	3694 Engine electrical equipment	3221 Glass containers
3312 Blast furnace & steel mills	3572 Computer storage devices	2677 Envelopes	3321 Gray & ductile iron foundries
3564 Blowers & fans	3271 Concrete block & brick	3822 Environmental controls	2771 Greeting cards
3732 Boat building & repairing	3272 Concrete products, <i>nec</i>	2892 Explosives	3764 Guided missile & space vehicle parts
3452 Bolts, nuts, rivets, & washers	3531 Construction machinery	2381 Fabric dress & work gloves	3769 Guided missile & space vehicle parts, <i>nec</i>
2731 Book publishing	2679 Converted paper products, <i>nec</i>	3499 Fabricated metal products, <i>nec</i>	3761 Guided missiles & parts
2732 Book printing	3535 Conveyors & conveying equipment	3443 Fabricated plate work (boiler shops)	2861 Gum & wood chemicals
2789 Bookbinding & related work	2052 Cookies & crackers	3498 Fabricated pipe & fittings	3275 Gypsum products
2086 Bottled & canned soft drinks	3351 Copper rolling & drawing	3069 Fabricated rubber products, <i>nec</i>	3423 Hand & edge tools, <i>nec</i>
2342 Bras, girdles, & allied garments	3366 Copper foundries	3441 Fabricated structural metal	3996 Hardsurface floor coverings, <i>nec</i>
2051 Bread, cake, & related products	2298 Cordage & twine	2399 Fabricated textile products, <i>nec</i>	2429 Hardware, <i>nec</i>
3251 Brick & structural clay tile	2653 Corrugated & solid fiber boxes	3523 Farm machinery & equipment	2426 Hardwood dimensions & flooring mills
2211 Broadwoven fabric mills, cotton	3961 Costume jewelry		
2221 Broadwoven fabric mills, manmade	2074 Cottonseed oil		
2231 Broadwoven fabric mills, wool	2021 Creamery butter		
3991 Brooms & brushes			
3995 Burial caskets			

(continued on next page)

2435	Hardwood veneer & plywood	3398	Metal heat treating	3568	Power transmission equipment, nec	3842	Surgical appliances & supplies
2353	Hats, caps, & millinery	3411	Metal cans			3613	Switchgear & switchboard apparatus
3433	Heating equip, except electric	3412	Metal barrels, drums, & pails	3546	Power-driven handtools		Synthetic rubber
3536	Hoists, cranes, & monorails	3431	Metal sanitary ware	3448	Prefabricated metal buildings	2822	
2252	Hosiery, nec	3497	Metal foil & leaf	2452	Prefabricated wood buildings	3795	Tanks & tank components
2392	House furnishings, nec	3479	Metal coating & allied services	2045	Prepared flour mixes & doughs	3661	Telephone & telegraph apparatus
3142	House slippers	3469	Metal stampings, nec	2048	Prepared feeds, nec	3552	Textile machinery
3651	Household audio & video equipment	3442	Metal door, sash, & trim	3652	Prerecorded records & tapes	2393	Textile bags
		2431	Millwork	3229	Pressed & blown glass, nec	2299	Textile goods, nec
3635	Household vacuum cleaners	3296	Mineral wool	3399	Primary metal products, nec	2284	Thread mills
3631	Household cooking appliances	3295	Minerals, ground or treated	3339	Primary nonferrous metals, nec	2282	Throwing & winding mills
3633	Household laundry equipment	3532	Mining machinery	3334	Primary aluminum	2296	Tire cord & fabrics
3639	Household appliances, nec	2741	Misc publishing	3331	Primary copper	3011	Tires & inner tubes
2519	Household furniture, nec	3449	Misc metal work	3692	Primary batteries, dry & wet	2844	Toilet preparations
3632	Household refrigerators & freezers	3496	Misc fabricated wire products	3672	Printed circuit boards	3612	Transformers, except electronic
2024	Ice cream & frozen desserts	2451	Mobile homes	2893	Printing ink	3799	Transportation equipment, nec
3491	Industrial valves	3716	Motor homes	3555	Printing trades machinery	3792	Travel trailers & campers
2819	Industrial inorganic chem, nec	3711	Motor vehicles & car bodies	3823	Process control instruments	3713	Truck & bus bodies
3599	Industrial machinery, nec	3621	Motor & generators	3231	Products of purchased glass	3715	Truck trailers
2869	Industrial organic chem, nec	3714	Motor vehicle parts & accessories	2531	Public building & related furniture	3511	Turbines & turbines generator sets
3537	Industrial trucks & tractors	3751	Motorcycles, bicycles, & parts	2611	Pulp mills	2791	Typesetting
2813	Industrial gases	3931	Musical instruments	3561	Pumps & pumping equipment	3082	Unsupported plastic profile shapes
3543	Industrial patterns	2441	Nailed wood boxes & shook	3663	Radio & TV communication equipment	3081	Unsupported plastic film & sheet
3567	Industrial furnaces & ovens	2241	Narrow fabric mills			2512	Upholstered household furniture
2816	Inorganic pigments	2711	Newspapers	3743	Railroad equipment	3494	Valves & pipe fittings, nec
3825	Instruments to measure electricity	2873	Nitrogenous fertilizers	2061	Raw sugar cane	2076	Vegetable oil mills, nec
3519	Internal combustion engines, nec	3297	Nonclay refractories	3273	Ready-mixed concrete	3647	Vehicular lighting equipment
2835	In vitro & in vivo diagnostic substances	3644	Noncurrent-carrying wiring devices	2493	Reconstituted wood products	3261	Vitreous plumbing fixtures
		3369	Nonferrous foundries, nec	3585	Refrigeration & heating equipment	3262	Vitreous china table & kitchenware
3462	Iron & steel forging	3364	Nonferrous die-casting, except aluminum	3625	Relays & industrial controls	3873	Watches, clocks, & parts
3915	Jewelers' materials & lapidary work			3645	Residential lighting fixtures	2385	Waterproof outerwear
3911	Jewelry, precious metal	3357	Nonferrous wiredrawing & insulating	2044	Rice milling	2257	Weft knit fabric mills
2253	Knit outerwear mills	3356	Nonferrous rolling & drawing, nec	2095	Roasted coffee	3548	Welding apparatus
2254	Knit underwear mills	3341	Nonferrous metals	2384	Robes & dressing gowns	2046	Wet corn milling
2259	Knitting mills, nec	3463	Nonferrous forging	3547	Rolling mill machinery	2084	Wines, brandy, & brandy spirits
3821	Laboratory apparatus & furniture	3299	Nonmetallic mineral products, nec	3052	Rubber & plastic hose & belting	3495	Wire springs
2258	Lace & warp knit fabric mills	2297	Nonwoven fabrics	3021	Rubber & plastic footwear	2337	Women's & misses' suits & coats
3083	Laminated plastic plate & sheet	3579	Office machines, nec	2068	Salted & roasted nuts & seeds	2335	Women's, juniors', & misses' dresses
3524	Lawn & garden equipment	2522	Office furniture, except wood	2656	Sanitary food containers		
3952	Lead pencils & art goods	3533	Oil & gas field machinery	2676	Sanitary paper products	2341	Women's & children's underwear
3199	Leather goods, nec	3851	Ophthalmic goods	2013	Sausages & other prepared meats	2251	Women's hosiery, except socks
2386	Leather & sheep-lined clothing	3827	Optical instruments & lenses	3425	Saw blades & handsaws	2339	Women's & misses' outerwear, nec
3111	Leather tanning & finishing	3489	Ordnance & accessories, nec	2421	Sawmills & planing mills, general	2331	Women's & misses' blouses & shirts
3151	Leather gloves & mittens	2824	Organic fibers, noncellulosic	3596	Scales & balances, except laboratory		
3648	Lighting equipment	3565	Packaging machinery	2397	Schiffli machine embroideries	3171	Women's handbags and purses
3274	Lime	2851	Paints & allied products	3451	Screw machine products	3144	Women's footwear, except athletic
2411	Logging	3554	Paper industries machinery	3812	Search & navigation equipment	2491	Wood preserving
2992	Lubricating oils & greases	2621	Paper mills	3674	Semiconductors & related devices	2499	Wood products, nec
3161	Luggage	2671	Paper coated & laminated, packaging	3263	Semivitreous table & kitchenware	2434	Wood kitchen cabinets
2098	Macaroni, spaghetti, & noodles			3589	Service industry machinery, nec	2541	Wood partitions & fixtures
3541	Machine tools, metal cutting types	2672	Paper coated & laminated, nec	2652	Setup paperboard boxes	2521	Wood office furniture
3545	Machine tool accessories	2631	Paperboard mills	3444	Sheet metal work	2517	Wood TV & radio cabinets
3542	Machine tools, metal forming type	2542	Partitions & fixtures, except wood	3731	Ship building & repairing	2449	Wood containers, nec
3695	Magnetic & optical recording media	3951	Pens & mechanical pencils	3993	Signs & advertising specialties	2511	Wood household furniture
3322	Malleable iron foundries	2721	Periodicals	3914	Silverware and plate ware	2448	Wood pallets & skids
2083	Malt	3172	Personal leather goods, nec	3484	Small arms	3553	Woodworking machinery
2082	Malt beverages	2911	Petroleum refining	3482	Small arms ammunition	3844	X-ray apparatus & tubes
2761	Manifold business forms	2999	Petroleum & coal products, nec	2841	Soap & other detergents	2281	Yarn spinning mills
2097	Manufactured ice	2834	Pharmaceutical preparations				
3999	Manufacturing industries, nec	2874	Phosphatic fertilizers	2436	Softwood veneer & plywood		
3953	Marking devices	3861	Photographic equipment & supplies	2075	Soybean oil mills		
2515	Mattresses & bedsprings			3769	Space vehicle equipment & parts		
3586	Measuring & dispensing pumps	2035	Pickles, sauces, & salad dressing	3764	Space propulsion units & parts		
3829	Measuring & controlling devices, nec	3085	Plastic bottles	2429	Special product sawmills, nec		
		3086	Plastic foam products	3544	Special dies, tools, jigs, & fixtures		
2011	Meat packing plants	2821	Plastic materials & resins	3559	Special industry machinery, nec		
3061	Mechanical rubber goods	3084	Plastic pipe	3566	Speed changers, drives, & gears		
2833	Medicinal & botanicals	3088	Plastic plumbing fixtures	3949	Sporting & athletic goods, nec		
2325	Men's & boys' trousers & slacks	3089	Plastic products, nec	2678	Stationery products		
3143	Men's footwear, except athletic	2796	Platemaking service	3493	Steel springs, except wire		
2323	Men's & boys' neckwear	3471	Plating & polishing	3315	Steel wire & related products		
2329	Men's & boys' clothing, nec	2395	Pleating & stitching	3317	Steel pipe & tubes		
2321	Men's & boys' shirts	3432	Plumbing fixture fittings & trim	3325	Steel foundries, nec		
2322	Men's & boys' underwear & nightwear	2842	Polishes & sanitation goods	3324	Steel investment foundries		
		3264	Porcelain electrical supplies	3691	Storage batteries		
2326	Men's & boys' work clothing	2096	Potato chips & similar snacks	3259	Structural clay products, nec		
2311	Men's & boys' suits & coats	3269	Pottery products, nec	2439	Structural wood members, nec		
2514	Metal household furniture	2015	Poultry slaughtering & processing	2843	Surface active agents		
3549	Metalworking machinery, nec			3841	Surgical & medical instruments		

(continued on next page)

The four-digit industry codes within Division E of the SIC Manual are: (*nec* means “not elsewhere classified”)

4513 Air courier services	4932 Gas & other services combined	4226 Special warehousing & storage, nec
4522 Air transportation, nonscheduled	4971 Irrigation systems	4960 Steam & air-conditioning supply
4512 Air transportation, scheduled	4214 Local trucking with storage	4822 Telegraph & other message communications
4581 Airports, flying fields, & airport terminal services	4212 Local trucking without storage	4813 Telephone communications, except radiotelephone
4729 Arrangement of passenger transportation, nec	4925 Mixed, manufactured, or liquefied petroleum gas production	4833 Television broadcasting stations
4730 Arrangement of transportation of freight & cargo	4924 Natural gas distribution	4231 Terminal & joint terminal maintenance facilities for motor freight
4841 Cable & other pay television services	4922 Natural gas transmission	4725 Tour operators
4939 Combination utilities, nec	4923 Natural gas transmission & distribution	4789 Transportation services, nec
4899 Communications services, nec	4783 Packing & crating	4724 Travel agencies
4215 Courier services, except by air	4832 Radio broadcasting stations	4213 Trucking, except local
4931 Electric & other services combined	4812 Radiotelephone communications	4940 Water supply
4911 Electric services	4222 Refrigerated warehousing & storage	
4221 Farm product warehousing & storage	4953 Refuse systems	
4785 Fixed facilities & inspection & weighing services for motor vehicle transportation	4741 Rental of railroad cars	
	4959 Sanitary services, nec	
	4952 Sewerage systems	
	4225 Special warehousing & storage	

The four-digit industry codes within Division F of the SIC Manual are: (*nec* means “not elsewhere classified”)

5012 Automobiles & other motor vehicles	5138 Footwear	5131 Piece goods, notions, & other dry goods
5181 Beer & ale	5148 Fresh fruits & vegetables	5162 Plastics materials & basic forms & shapes
5192 Books, periodicals, & newspapers	5021 Furniture	5074 Plumbing & heating equipment & supplies (hydronics)
5032 Brick, stone, and related construction materials	5153 Grain & field beans	5144 Poultry & poultry products
5169 Chemicals & allied products, nec	5149 Groceries & related products, nec	5111 Printing & writing paper
5052 Coal & other minerals & ores	5141 Groceries, general line	5049 Professional equipment & supplies, nec
5046 Commercial equipment, nec	5072 Hardware	5078 Refrigeration equipment & supplies
5045 Computers & computer peripheral equipment & software	5022 Home furnishings	5033 Roofing, siding, and insulation materials
5145 Confectionery	5113 Industrial & personal service paper	5093 Scrap & waste materials
5082 Construction & mining (except petroleum) machinery & equipment	5084 Industrial machinery & equipment	5087 Service establishment equipment & supplies
5039 Construction materials, nec	5085 Industrial supplies	5091 Sporting & recreational goods & supplies
5143 Dairy products, except dried or canned	5094 Jewelry, watches, precious stones, & precious metals	5112 Stationery & office supplies
5122 Drugs, drug proprietaries, & druggist' sundries	5154 Livestock	5014 Tires & tubes
5099 Durable goods, nec	5031 Lumber, plywood, millwork, and wood panels	5194 Tobacco & tobacco products
5063 Electrical apparatus & equipment, wiring supplies, & construction materials	5147 Meat & meat products	5092 Toys, hobby goods, & supplies
5064 Electrical appliances, television, & radio sets	5047 Medical, dental, & hospital equipment & supplies	5088 Transportation equipment & supplies, except motor vehicles
5065 Electronic parts & equipment, nec	5136 Men's & boy's clothing & furnishings	5075 Warm air heating, air-conditioning equipment, & supplies
5083 Farm & garden machinery & equipment	5051 Metals service centers & offices	5182 Wine & distilled alcoholic beverages
5191 Farm supplies	5015 Motor vehicle parts, used	5137 Women's, children's, & infants' clothing & accessories
5159 Farm-product raw materials, nec	5013 Motor vehicle supplies & new parts	
5146 Fish & seafoods	5199 Nondurable goods, nec	
5193 Flowers, nursery stock, & florists' supplies	5044 Office equipment	
	5048 Ophthalmic goods	
	5142 Packaged frozen foods	
	5198 Paints, varnishes, & supplies	
	5172 Petroleum & petroleum products wholesalers, except bulk stations	
	5171 Petroleum bulk stations & terminals	
	5043 Photographic equipment & sales	

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Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System published by the United States Office of Management and Budget, 1997 Edition.

Caution: For purposes of qualifying for the TTA tax incentives, refer to the Standard Industrial Classification Manual, 1987 Edition and the partial listing on pages 21 through 23 of this booklet.

Agriculture, Forestry, Fishing, and Hunting

Code

Crop Production

- 111100 Oilseed & Grain Farming
- 111210 Vegetable & Melon Farming (including potatoes & yams)
- 111300 Fruit & Tree Nut Farming
- 111400 Greenhouse, Nursery, & Floriculture Production
- 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)

Animal Production

- 112111 Beef Cattle Ranching & Farming
- 112112 Cattle Feedlots
- 112120 Dairy Cattle & Milk Production
- 112210 Hog & Pig Farming
- 112300 Poultry & Egg Production
- 112400 Sheep & Goat Farming
- 112510 Animal Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 Other Animal Production

Forestry and Logging

- 113110 Timber Tract Operations
- 113210 Forest Nurseries & Gathering of Forest Products
- 113310 Logging

Fishing, Hunting and Trapping

- 114110 Fishing
- 114210 Hunting & Trapping

Support Activities for Agriculture and Forestry

- 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
- 115210 Support Activities for Animal Production
- 115310 Support Activities for Forestry

Mining

- 211110 Oil & Gas Extraction
- 212110 Coal Mining
- 212200 Metal Ore Mining
- 212310 Stone Mining & Quarrying
- 212320 Sand, Gravel, Clay, & Ceramic & Refractory

Minerals Mining & Quarrying

- 212390 Other Nonmetallic Mineral Mining & Quarrying
- 213110 Support Activities for Mining

Utilities

- 221100 Electric Power Generation, Transmission & Distribution
- 221210 Natural Gas Distribution
- 221300 Water, Sewage, & Other Systems

Construction

Code

Construction of Buildings

- 236110 Residential Building Construction
- 236200 Nonresidential Building Construction

Heavy and Civil Engineering Construction

- 237100 Utility System Construction
- 237210 Land Subdivision
- 237310 Highway, Street, & Bridge Construction
- 237990 Other Heavy & Civil Engineering Construction

Specialty Trade Contractors

- 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)
- 238210 Electrical Contractors
- 238220 Plumbing, Heating, & Air-Conditioning Contractors
- 238290 Other Building Equipment Contractors
- 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)
- 238900 Other Specialty Trade Contractors (including site preparation)

Manufacturing

Food Manufacturing

- 311110 Animal Food Mfg
- 311200 Grain & Oilseed Milling
- 311300 Sugar & Confectionery Product Mfg
- 311400 Fruit & Vegetable Preserving & Specialty Food Mfg
- 311500 Dairy Product Mfg
- 311610 Animal Slaughtering and Processing
- 311710 Seafood Product Preparation & Packaging
- 311800 Bakeries & Tortilla Mfg
- 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings)

Beverage and Tobacco Product Manufacturing

- 312110 Soft Drink & Ice Mfg
- 312120 Breweries
- 312130 Wineries
- 312140 Distilleries
- 312200 Tobacco Manufacturing

Textile Mills and Textile Product Mills

313000 Textile Mills

314000 Textile Product Mills

Apparel Manufacturing

- 315100 Apparel Knitting Mills

Code

- 315210 Cut & Sew Apparel Contractors
- 315220 Men's & Boys' Cut & Sew Apparel Mfg
- 315230 Women's & Girls' Cut & Sew Apparel Mfg
- 315290 Other Cut & Sew Apparel Mfg
- 315990 Apparel Accessories & Other Apparel Mfg

Leather and Allied Product Manufacturing

- 316110 Leather & Hide Tanning & Finishing
- 316210 Footwear Mfg (including rubber & plastics)
- 316990 Other Leather & Allied Product Mfg

Wood Product Manufacturing

- 321110 Sawmills & Wood Preservation
- 321210 Veneer, Plywood, & Engineered Wood Product Mfg
- 321900 Other Wood Product Mfg

Paper Manufacturing

- 322100 Pulp, Paper, & Paperboard Mills
- 322200 Converted Paper Product Mfg

Printing and Related Support Activities

- 323100 Printing & Related Support Activities

Petroleum and Coal Products Manufacturing

- 324110 Petroleum Refineries (including integrated)
- 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg
- 324190 Other Petroleum & Coal Products Mfg

Chemical Manufacturing

- 325100 Basic Chemical Mfg
- 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
- 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
- 325410 Pharmaceutical & Medicine Mfg
- 325500 Paint, Coating, & Adhesive Mfg
- 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg
- 325900 Other Chemical Product & Preparation Mfg

Plastics and Rubber Products Manufacturing

- 326100 Plastics Product Mfg
- 326200 Rubber Product Mfg

Nonmetallic Mineral Product Manufacturing

- 327100 Clay Product & Refractory Mfg
- 327210 Glass & Glass Product Mfg
- 327300 Cement & Concrete Product Mfg
- 327400 Lime & Gypsum Product Mfg
- 327900 Other Nonmetallic Mineral Product Mfg

Primary Metal Manufacturing

- 331110 Iron & Steel Mills & Ferroalloy Mfg
- 331200 Steel Product Mfg from Purchased Steel
- 331310 Alumina & Aluminum Production & Processing
- 331400 Nonferrous Metal (except Aluminum) Production & Processing
- 331500 Foundries

Fabricated Metal Product Manufacturing

- 332110 Forging & Stamping
- 332210 Cutlery & Handtool Mfg
- 332300 Architectural & Structural Metals Mfg
- 332400 Boiler, Tank, & Shipping Container Mfg
- 332510 Hardware Mfg
- 332610 Spring & Wire Product Mfg
- 332700 Machine Shops, Turned Product, & Screw, Nut, & Bolt Mfg

Code

- 332810 Coating, Engraving, Heat Treating, & Allied Activities
- 332900 Other Fabricated Metal Product Mfg

Machinery Manufacturing

- 333100 Agriculture, Construction, & Mining Machinery Mfg
- 333200 Industrial Machinery Mfg
- 333310 Commercial & Service Industry Machinery Mfg
- 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
- 333510 Metalworking Machinery Mfg
- 333610 Engine, Turbine, & Power Transmission Equipment Mfg
- 333900 Other General Purpose Machinery Mfg

Computer and Electronic Product Manufacturing

- 334110 Computer & Peripheral Equipment Mfg
- 334200 Communications Equipment Mfg
- 334310 Audio & Video Equipment Mfg
- 334410 Semiconductor & Other Electronic Component Mfg
- 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
- 334610 Manufacturing & Reproducing Magnetic & Optical Media

Electrical Equipment, Appliance, and Component Manufacturing

- 335100 Electric Lighting Equipment Mfg
- 335200 Household Appliance Mfg
- 335310 Electrical Equipment Mfg
- 335900 Other Electrical Equipment & Component Mfg

Transportation Equipment Manufacturing

- 336100 Motor Vehicle Mfg
- 336210 Motor Vehicle Body & Trailer Mfg
- 336300 Motor Vehicle Parts Mfg
- 336410 Aerospace Product & Parts Mfg
- 336510 Railroad Rolling Stock Mfg
- 336610 Ship & Boat Building
- 336990 Other Transportation Equipment Mfg

Furniture and Related Product Manufacturing

- 337000 Furniture & Related Product Manufacturing

Miscellaneous Manufacturing

- 339110 Medical Equipment & Supplies Mfg
- 339900 Other Miscellaneous Manufacturing

Wholesale Trade

Merchant Wholesalers, Durable Goods

- 423100 Motor Vehicle & Motor Vehicle Parts & Supplies
- 423200 Furniture & Home Furnishings
- 423300 Lumber & Other Construction Materials
- 423400 Professional & Commercial Equipment & Supplies
- 423500 Metal & Mineral (except Petroleum)
- 423600 Electrical & Electronic Goods
- 423700 Hardware, & Plumbing & Heating Equipment & Supplies
- 423800 Machinery, Equipment, & Supplies
- 423910 Sporting & Recreational Goods & Supplies
- 423920 Toy & Hobby Goods & Supplies
- 423930 Recyclable Materials
- 423940 Jewelry, Watch, Precious Stone, & Precious Metals
- 423990 Other Miscellaneous Durable Goods

Code	Code	Code	Code
Merchant Wholesalers, Nondurable Goods	Clothing and Clothing Accessories Stores	Support Activities for Transportation	Securities, Commodity Contracts, and Other Financial Investments and Related Activities
424100 Paper & Paper Products	448110 Men's Clothing Stores	488100 Support Activities for Air Transportation	523110 Investment Banking & Securities Dealing
424210 Drugs & Druggists' Sundries	448120 Women's Clothing Stores	488210 Support Activities for Rail Transportation	523120 Securities Brokerage
424300 Apparel, Piece Goods, & Notions	448130 Children's & Infants' Clothing Stores	488300 Support Activities for Water Transportation	523130 Commodity Contracts Dealing
424400 Grocery & Related Products	448140 Family Clothing Stores	488410 Motor Vehicle Towing	523140 Commodity Contracts Brokerage
424500 Farm Product Raw Materials	448150 Clothing Accessories Stores	488490 Other Support Activities for Road Transportation	523210 Securities & Commodity Exchanges
424600 Chemical & Allied Products	448190 Other Clothing Stores	488510 Freight Transportation Arrangement	523900 Other Financial Investment Activities (including portfolio management & investment advice)
424700 Petroleum & Petroleum Products	448210 Shoe Stores	488990 Other Support Activities for Transportation	
424800 Beer, Wine, & Distilled Alcoholic Beverages	448310 Jewelry Stores		Insurance Carriers and Related Activities
424910 Farm Supplies	448320 Luggage & Leather Goods Stores	Couriers and Messengers	524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
424920 Book, Periodical, & Newspapers	Sporting Goods, Hobby, Book, and Music Stores	492110 Couriers	524150 Direct Insurance & Reinsurance (except Life, Health, & Medical) Carriers
424930 Flower, Nursery Stock, & Florists' Supplies	451110 Sporting Goods Stores	492210 Local Messengers & Local Delivery	524210 Insurance Agencies & Brokerages
424940 Tobacco & Tobacco Products	451120 Hobby, Toy, & Game Stores	Warehousing and Storage	524290 Other Insurance Related Activities
424950 Paint, Varnish, & Supplies	451130 Sewing, Needlework, & Piece Goods Stores	493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	
424990 Other Miscellaneous Nondurable Goods	451140 Musical Instrument & Supplies Stores		Funds, Trusts, and Other Financial Vehicles
Wholesale Electronic Markets and Agents and Brokers	451211 Book Stores	Information	525100 Insurance & Employee Benefit Funds
425110 Business to Business Electronic Markets	451212 News Dealers & Newsstands	Publishing Industries	525910 Open-End Investment Funds (Form 1120-RIC)
425120 Wholesale Trade Agents & Brokers	451220 Prerecorded Tape, Compact Disc, & Record Stores	511110 Newspaper Publishers	525920 Trusts, Estates, & Agency Accounts
Retail Trade	General Merchandise Stores	511120 Periodical Publishers	525930 Real Estate Investment Trusts (Form 1120-REIT)
Motor Vehicle and Parts Dealers	452900 Other General Merchandise Stores	511130 Book Publishers	525990 Other Financial Vehicles
441110 New Car Dealers	Miscellaneous Store Retailers	511140 Database & Directory Publishers	"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies) below.
441120 Used Car Dealers	453110 Florists	511190 Other Publishers	Real Estate and Rental and Leasing
441210 Recreational Vehicle Dealers	453210 Office Supplies & Stationery Stores	511210 Software Publishers	Real Estate
441221 Motorcycle Dealers	453220 Gift, Novelty, & Souvenir Stores	Motion Picture and Sound Recording Industries	531110 Lessors of Residential Buildings & Dwellings
441222 Boat Dealers	453310 Used Merchandise Stores	512100 Motion Picture & Video Industries (except video rental)	531120 Lessors of Nonresidential Buildings (except Miniwarehouses)
441229 All Other Motor Vehicle Dealers	453910 Pet & Pet Supplies Stores	512200 Sound Recording Industries	531130 Lessors of Miniwarehouses & Self-Storage Units
441300 Automotive Parts, Accessories, & Tire Stores	453920 Art Dealers	Broadcasting (except Internet)	531190 Lessors of Other Real Estate Property
Furniture and Home Furnishings Stores	453930 Manufactured (Mobile) Home Dealers	515100 Radio & Television Broadcasting	531210 Offices of Real Estate Agents & Brokers
442110 Furniture Stores	453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)	515210 Cable & Other Subscription Programming	531310 Real Estate Property Managers
442210 Floor Covering Stores	Nonstore Retailers	Internet Publishing and Broadcasting	531320 Offices of Real Estate Appraisers
442291 Window Treatment Stores	454110 Electronic Shopping & Mail-Order Houses	516110 Internet Publishing & Broadcasting	531390 Other Activities Related to Real Estate
442299 All Other Home Furnishings Stores	454210 Vending Machine Operators	Telecommunications	Rental and Leasing Services
Electronics and Appliance Stores	454311 Heating Oil Dealers	517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications)	532100 Automotive Equipment Rental & Leasing
443111 Household Appliance Stores	454312 Liquefied Petroleum Gas (Bottled Gas) Dealers	Internet Service Providers, Web Search Portals, and Data Processing Services	532210 Consumer Electronics & Appliances Rental
443112 Radio, Television, & Other Electronics Stores	454319 Other Fuel Dealers	518111 Internet Service Providers	532220 Formal Wear & Costume Rental
443120 Computer & Software Stores	454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	518112 Web Search Portals	532230 Video Tape & Disc Rental
443130 Camera & Photographic Supplies Stores	Transportation and Warehousing	518210 Data Processing, Hosting, & Related Services	532290 Other Consumer Goods Rental
Building Material and Garden Equipment and Supplies Dealers	Air, Rail, and Water Transportation	Other Information Services	532310 General Rental Centers
444110 Home Centers	481000 Air Transportation	519100 Other Information Services (including news syndicates & libraries)	532400 Commercial & Industrial Machinery & Equipment Rental & Leasing
444120 Paint & Wallpaper Stores	482110 Rail Transportation	Finance and Insurance	Lessors of Nonfinancial Intangible Assets (except copyrighted works)
444130 Hardware Stores	483000 Water Transportation	Depository Credit Intermediation	533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)
444190 Other Building Material Dealers	Truck Transportation	522110 Commercial Banking	
444200 Lawn & Garden Equipment & Supplies Stores	484110 General Freight Trucking, Local	522120 Savings Institutions	Professional, Scientific, and Technical Services
Food and Beverage Stores	484120 General Freight Trucking, Long-distance	522130 Credit Unions	Legal Services
445110 Supermarkets and Other Grocery (except Convenience) Stores	484200 Specialized Freight Trucking	522190 Other Depository Credit Intermediation	541110 Offices of Lawyers
445120 Convenience Stores	Transit and Ground Passenger Transportation	Nondepository Credit Intermediation	541190 Other Legal Services
445210 Meat Markets	485110 Urban Transit Systems	522210 Credit Card Issuing	
445220 Fish & Seafood Markets	485210 Interurban & Rural Bus Transportation	522220 Sales Financing	
445230 Fruit & Vegetable Markets	485310 Taxi Service	522291 Consumer Lending	
445291 Baked Goods Stores	485320 Limousine Service	522292 Real Estate Credit (including mortgage bankers & originators)	
445292 Confectionery & Nut Stores	485410 School & Employee Bus Transportation	522293 International Trade Financing	
445299 All Other Specialty Food Stores	485510 Charter Bus Industry	522294 Secondary Market Financing	
445310 Beer, Wine, & Liquor Stores	485990 Other Transit & Ground Passenger Transportation	522298 All Other Nondepository Credit Intermediation	
Health and Personal Care Stores	Pipeline Transportation	Activities Related to Credit Intermediation	
446110 Pharmacies & Drug Stores	486000 Pipeline Transportation Scenic & Sightseeing Transportation	522300 Activities Related to Credit Intermediation (including loan brokers)	
446120 Cosmetics, Beauty Supplies, & Perfume Stores	Scenic & Sightseeing Transportation		
446130 Optical Goods Stores	487000 Scenic & Sightseeing Transportation		
446190 Other Health & Personal Care Stores			
Gasoline Stations			
447100 Gasoline Stations (including convenience stores with gas)			

Code	Code	Code	Code
Accounting, Tax Preparation, Bookkeeping, and Payroll Services			
541211	Offices of Certified Public Accountants	561500	Travel Arrangement & Reservation Services
541213	Tax Preparation Services	561600	Investigation & Security Services
541214	Payroll Services	561710	Exterminating & Pest Control Services
541219	Other Accounting Services	561720	Janitorial Services
Architectural, Engineering, and Related Services			
541310	Architectural Services	561730	Landscaping Services
541320	Landscape Architecture Services	561740	Carpet & Upholstery Cleaning Services
541330	Engineering Services	561790	Other Services to Buildings & Dwellings
541340	Drafting Services	561900	Other Support Services (including packaging & labeling services, & convention & trade show organizers)
541350	Building Inspection Services	Waste Management and Remediation Services	
541360	Geophysical Surveying & Mapping Services	562000	Waste Management & Remediation Services
541370	Surveying & Mapping (except Geophysical) Services	Educational Services	
541380	Testing Laboratories	611000	Educational Services (including schools, colleges, & universities)
Specialized Design Services			
541400	Specialized Design Services (including interior, industrial, graphic, & fashion design)	Health Care and Social Assistance	
Computer Systems Design and Related Services			
541511	Custom Computer Programming Services	Offices of Physicians and Dentists	
541512	Computer Systems Design Services	621111	Offices of Physicians (except mental health specialists)
541513	Computer Facilities Management Services	621112	Offices of Physicians, Mental Health Specialists
541519	Other Computer Related Services	621210	Offices of Dentists
Other Professional, Scientific, and Technical Services			
541600	Management, Scientific, & Technical Consulting Services	Offices of Other Health Practitioners	
541700	Scientific Research & Development Services	621310	Offices of Chiropractors
541800	Advertising & Related Services	621320	Offices of Optometrists
541910	Marketing Research & Public Opinion Polling	621330	Offices of Mental Health Practitioners (except Physicians)
541920	Photographic Services	621340	Offices of Physical, Occupational & Speech Therapists, & Audiologists
541930	Translation & Interpretation Services	621391	Offices of Podiatrists
541940	Veterinary Services	621399	Offices of All Other Miscellaneous Health Practitioners
541990	All Other Professional, Scientific, & Technical Services	Outpatient Care Centers	
Management of Companies (Holding Companies)			
551111	Offices of Bank Holding Companies	621410	Family Planning Centers
551112	Offices of Other Holding Companies	621420	Outpatient Mental Health & Substance Abuse Centers
Administrative and Support and Waste Management and Remediation Services			
Administrative and Support Services			
561110	Office Administrative Services	621491	HMO Medical Centers
561210	Facilities Support Services	621492	Kidney Dialysis Centers
561300	Employment Services	621493	Freestanding Ambulatory Surgical & Emergency Centers
561410	Document Preparation Services	621498	All Other Outpatient Care Centers
561420	Telephone Call Centers	Medical and Diagnostic Laboratories	
561430	Business Service Centers (including private mail centers & copy shops)	621510	Medical & Diagnostic Laboratories
561440	Collection Agencies	Home Health Care Services	
561450	Credit Bureaus	621610	Home Health Care Services
561490	Other Business Support Services (including repossession services, court reporting, & stenotype services)	Other Ambulatory Health Care Services	
Other Ambulatory Health Care Services			
621900	Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)	Hospitals	
Hospitals			
622000	Hospitals	Nursing and Residential Care Facilities	
Nursing and Residential Care Facilities			
623000	Nursing & Residential Care Facilities	Social Assistance	
624100	Individual & Family Services	624200	Community Food & Housing, & Emergency & Other Relief Services
624310	Vocational Rehabilitation Services	624410	Child Day Care Services
Arts, Entertainment, and Recreation			
Performing Arts, Spectator Sports, and Related Industries			
711100	Performing Arts Companies	711210	Spectator Sports (including sports clubs & racetracks)
711300	Promoters of Performing Arts, Sports, & Similar Events	711410	Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures
711510	Independent Artists, Writers, & Performers	Museums, Historical Sites, and Similar Institutions	
Museums, Historical Sites, and Similar Institutions			
712100	Museums, Historical Sites, & Similar Institutions	Amusement, Gambling, and Recreation Industries	
Amusement, Gambling, and Recreation Industries			
713100	Amusement Parks & Arcades	713200	Gambling Industries
713900	Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)	Accommodation and Food Services	
Accommodation and Food Services			
Accommodation			
721110	Hotels (except casino hotels) & Motels	721120	Casino Hotels
721191	Bed & Breakfast Inns	721199	All Other Traveler Accommodation
721210	RV (Recreational Vehicle) Parks & Recreational Camps	721310	Rooming & Boarding Houses
Food Services and Drinking Places			
722110	Full-Service Restaurants	722210	Limited-Service Eating Places
722300	Special Food Services (including food service contractors & caterers)	722410	Drinking Places (Alcoholic Beverages)
Other Services			
Repair and Maintenance			
811110	Automotive Mechanical & Electrical Repair & Maintenance	811120	Automotive Body, Paint, Interior, & Glass Repair
811190	Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)	811210	Electronic & Precision Equipment Repair & Maintenance
811310	Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance	811410	Home & Garden Equipment & Appliance Repair & Maintenance
811420	Reupholstery & Furniture Repair	811430	Footwear & Leather Goods Repair
811490	Other Personal & Household Goods Repair & Maintenance	Personal and Laundry Services	
Personal and Laundry Services			
812111	Barber Shops	812112	Beauty Salons
812113	Nail Salons	812190	Other Personal Care Services (including diet & weight reducing centers)
812210	Funeral Homes & Funeral Services	812220	Cemeteries & Crematories
812310	Coin-Operated Laundries & Drycleaners	812320	Drycleaning & Laundry Services (except Coin-Operated)
812330	Linen & Uniform Supply	812910	Pet Care (except Veterinary) Services
812920	Photofinishing	812930	Parking Lots & Garages
812990	All Other Personal Services	Religious, Grantmaking, Civic, Professional, and Similar Organizations	
Religious, Grantmaking, Civic, Professional, and Similar Organizations			
813000	Religious, Grantmaking, Civic, Professional, & Similar Organizations		

2002

Targeted Tax Area Deduction and Credit Summary

3809

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

Qualified Taxpayer's SIC Code Activity. **Caution:** See instructions.

Secretary of State file number

A. Check the appropriate box for your entity type:

- ☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt organization ☐ Limited liability company ☐ Limited liability partnership

B. Enter the name of the targeted tax area (TTA) business:**C. Enter the address (actual location) where the TTA business is conducted:****D. Enter the name of the specific area of the TTA in which the business and/or investment activity is located.****E. Principal Business Activity Code number of the TTA business**

Enter the six-digit Principal Business Activity Code from the chart.

F. Total number of employees in the TTA**G. Number of employees included in the computation of the hiring credit, if claimed****H. Number of new employees included in the computation of the hiring credit, if claimed****I. Gross annual receipts of the business****J. Total asset value of the business****Part I Credits Used****1 Hiring and sales or use tax credits claimed on the current year return:****a** Hiring credit from Schedule Z, line 8A, column (f) or line 10, column (f)**b** Sales or use tax credit from Schedule Z, line 9A, column (f) or line 11, column (f)

Add line 1a and line 1b

1**Note:** To compute the amount of credits to carry over, complete Schedule Z on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2 Enter the cost of qualified property purchased for the TTA that is being deducted as a current year**

business expense from Worksheet III, Section A, line 5, column (b)

2

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.6 or 24356.6. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

Part III Net Operating Loss (NOL) Carryover and Deduction**3 a Enter the total NOL carryover from the prior year from Worksheet V, Section C, line 12, column (b)****3a**

b Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 12, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 3 or line 11

3b**SUSPENDED****c Enter the TTA NOL carryover to future years from Worksheet V, Section C, line 12, column (e)****3c**

ELECTION: For those taxpayers eligible for an NOL carryover under R&TC Sections 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5, or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Sections 17276.6 or 24416.6, for taxpayers operating a trade or business within the TTA. If you elect to carry over an NOL under the TTA provisions, you cannot carry over any other type and amount of NOL from this year.

Part IV Portion of Business Attributable to the Targeted Tax Area**4 Enter the average apportionment percentage of your business that is in the TTA from Worksheet IV,**

Section A, line 4. If your operation is wholly within the TTA, the average apportionment percentage is 100% (1.00)

4**Part V Recapture of Deduction and Credits****5 TTA recapture of hiring credit from Worksheet I, Section B, line 2, column (b)****5****6 Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b)****6**

Schedule Z Computation of Credit Limitations — Targeted Tax Area

Part I Computation of Credit Limitations. See instructions.

1	Trade or business income. Individuals: Enter the amount from Worksheet IV, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Note: Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see instructions Part IV)	1	
2	Corporations: Enter the average apportionment percentage from Worksheet IV, Section A, line 4. See instructions	2	
3	Multiply line 1 by line 2	3	
4	Enter the TTA NOL deduction from Worksheet V, Section C, line 12, column (c)	4	SUSPENDED
5	TTA taxable income. For 2002 tax year, enter amount from line 3	5	
6 a	Compute the amount of tax due using the amount on line 5. See instructions	6a	
6 b	Enter the amount of tax from Form 540, line 24; Long Form 540NR, line 27; Form 541, line 21; Form 100, or Form 100W, line 24; Form 100S, line 22; or Form 109, line 7 or line 15. Corporations and S corporations, see instructions	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on the TTA income. Go to Part II, Part III, or Part IV. See instructions	7	

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

(a) Credit name		(b) Credit amount	(c) Total prior year carryover	(d) Total credit add col. (b) plus col. (c)	(e) Limitation based on TTA business income	(f) Used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
8	Hiring credit	A					
		B					
9	Sales or use tax credit	A					
		B					

Part III Limitation of Credits for S Corporations Only. See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit col. (b) multiplied by 1/3	(d) Total prior year carryover	(e) Total credit add col. (c) plus col. (d)	(f) Credit used this year by S corporation	(g) Carryover col. (e) minus col. (f)
10	Hiring credit					
11	Sales or use tax credit					

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax. See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover. col. (b) plus col. (c)
12	Hiring credit		
13	Sales or use tax credit		

2002

Targeted Tax Area Deduction and Credit Summary

3809

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

Qualified Taxpayer's SIC Code Activity. **Caution:** See instructions.

Secretary of State file number

A. Check the appropriate box for your entity type:

- ☐ Individual ☐ Estate ☐ Trust ☐ C corporation ☐ S corporation ☐ Partnership
☐ Exempt organization ☐ Limited liability company ☐ Limited liability partnership

B. Enter the name of the targeted tax area (TTA) business:**C. Enter the address (actual location) where the TTA business is conducted:****D. Enter the name of the specific area of the TTA in which the business and/or investment activity is located.****E. Principal Business Activity Code number of the TTA business**

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Add line 1a and line 1b

1**Note:** To compute the amount of credits to carry over, complete Schedule Z on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2 Enter the cost of qualified property purchased for the TTA that is being deducted as a current year**

business expense from Worksheet III, Section A, line 5, column (b)

2

ELECTION: The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17267.6 or 24356.6. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).

Part III Net Operating Loss (NOL) Carryover and Deduction**3 a** Enter the total NOL carryover from the prior year from Worksheet V, Section C, line 12, column (b)**3a**

b Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 12, column (c). Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 21; Form 100W, line 21; Form 100S, line 19; or Form 109, line 3 or line 11

3b**SUSPENDED****c** Enter the TTA NOL carryover to future years from Worksheet V, Section C, line 12, column (e)**3c**

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Section A, line 4. If your operation is wholly within the TTA, the average apportionment percentage is 100% (1.00)

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Schedule Z Computation of Credit Limitations — Targeted Tax Area**Part I Computation of Credit Limitations.** See instructions.

1	Trade or business income. Individuals: Enter the amount from Worksheet IV, Section C, line 14, column (c) on this line and on line 3 (skip line 2). See instructions. Note: Corporations which file a combined report, enter the taxpayer's business income apportioned to California (see instructions Part IV)	1	
2	Corporations: Enter the average apportionment percentage from Worksheet IV, Section A, line 4. See instructions	2	
3	Multiply line 1 by line 2	3	
4	Enter the TTA NOL deduction from Worksheet V, Section C, line 12, column (c)	4	SUSPENDED
5	TTA taxable income. For 2002 tax year, enter amount from line 3	5	
6 a	Compute the amount of tax due using the amount on line 5. See instructions	6a	
6 b	Enter the amount of tax from Form 540, line 24; Long Form 540NR, line 27; Form 541, line 21; Form 100, or Form 100W, line 24; Form 100S, line 22; or Form 109, line 7 or line 15. Corporations and S corporations, see instructions	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on the TTA income. Go to Part II, Part III, or Part IV. See instructions	7	

Part II Limitation of Credits for Corporations, Individuals, Estates, and Trusts. See instructions.

(a) Credit name		(b) Credit amount	(c) Total prior year carryover	(d) Total credit add col. (b) plus col. (c)	(e) Limitation based on TTA business income	(f) Used on Schedule P can never be greater than col. (d) or col. (e)	(g) Carryover col. (d) minus col. (e)
8 Hiring credit	A						
	B						
9 Sales or use tax credit	A						
	B						

Part III Limitation of Credits for S Corporations Only. See instructions.

(a) Credit name	(b) Credit amount	(c) S corporation credit col. (b) multiplied by 1/3	(d) Total prior year carryover	(e) Total credit add col. (c) plus col. (d)	(f) Credit used this year by S corporation	(g) Carryover col. (e) minus col. (f)
10 Hiring credit						
11 Sales or use tax credit						

Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax. See instructions.

(a) Credit name	(b) Credit amount	(c) Total prior year carryover	(d) Total credit carryover. col. (b) plus col. (c)
12 Hiring credit			
13 Sales or use tax credit			

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Go to our Website:

www.ftb.ca.gov

How to Get California Tax Information

(Keep This Page For Future Use)

Your Rights as a Taxpayer

Our goal at the Franchise Tax Board (FTB) is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications" below.

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications from our Website at: www.ftb.ca.gov

Information about other state agencies can be accessed through the State Agency Index located on the California State Website at: www.ca.gov

By phone – To order current year California tax forms, publications, and the current year federal booklets, call our automated phone service. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

In person – Many libraries, post offices, and banks provide free California personal income tax booklets during the filing season. Most libraries and some quick print businesses have forms and schedules for you to photocopy (a nominal fee may apply).

Note: Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Letters

If you write to us, be sure your letter includes your FEIN, Secretary of State file number, California corporation number, or social security number, your daytime and evening telephone numbers, and a copy of the notice (if applicable). Send your letter to:

PROFESSIONAL RESOURCES AND
EDUCATION SECTION MS F-228
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468

We will respond to your letter within six weeks. In some cases, we may need to call you for additional information. **Note:** Do not attach correspondence to your tax return unless the correspondence relates to an item on your return.

General Toll-Free Phone Service

Our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.; and
- Saturdays, 8 a.m. until 5 p.m. (January through June only)

Note: We may modify these hours without notice to meet operational needs.

From within the
United States (800) 852-5711
From outside the
United States (916) 845-6500
(not toll-free)

Assistance for persons with disabilities:

The FTB complies with the Americans with Disabilities Act. Persons with a hearing or speech impairments, call:

From TTY/TDD (800) 822-6268
(Direct line to FTB customer service)

Asistencia bilingüe en español:

Nuestro servicio telefónico gratuito está disponible:

- Lunes-viernes de 7 a.m. a 8 p.m.
- Sábados de 8 a.m. a 5 p.m. (de enero a junio)

Aviso: Nosotros podemos modificar este horario sin aviso previo de acuerdo a la demanda operativa.

Dentro de los Estados

Unidos llame al: (800) 852-5711
(libre de cargos)

Fuera de los Estados

Unidos llame al: (916) 845-6500
(cargos aplican)

Página Electrónica:

www.ftb.ca.gov

Asistencia para personas discapacitadas:

El FTB está en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar:

De TTY/TTD – Línea directa al servicio de clientes del FTB (800) 822-6268

Geographic Boundaries

To find a street address within the TTA geographic boundaries, go to the California Technology, Trade and Commerce Agency's Website at: www.commerce.ca.gov

If you need additional information about the TTA, you may contact the California Technology, Trade and Commerce Agency at:

ENTERPRISE ZONE PROGRAMS
CALIFORNIA TECHNOLOGY, TRADE AND
COMMERCE AGENCY
1102 Q STREET, SUITE 6000
SACRAMENTO CA 95814

Tel: (916) 324-8211

Fax: (916) 322-3524

Economic Development Area Information

Further information about the TTA is available from:

FRANCHISE TAX BOARD
Telephone: (916) 845-3464
FAX: (916) 845-6791
Website: www.ftb.ca.gov